# Dart Industries Inc. Annual Report for 1971

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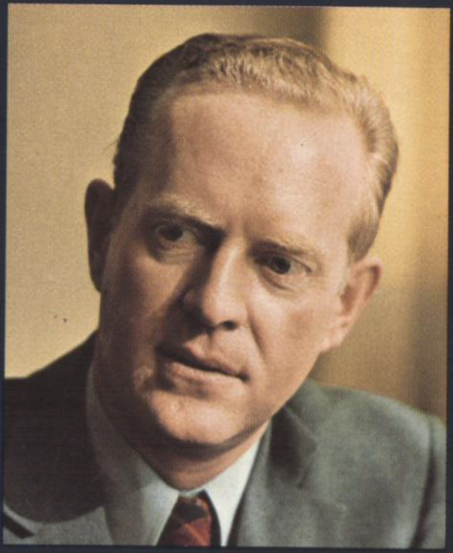
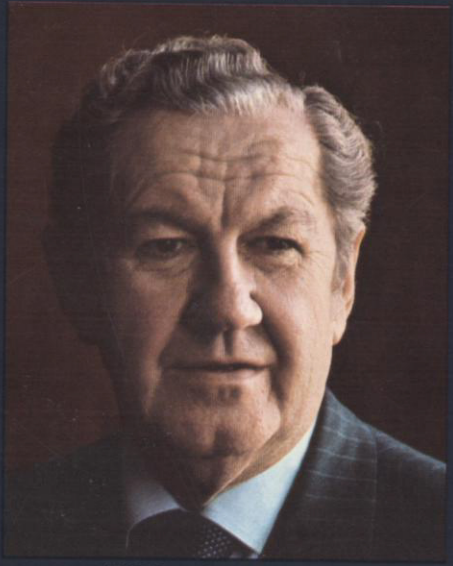
## Chief Operating Officers

H. F. Wilson, Chairman
Direct Selling

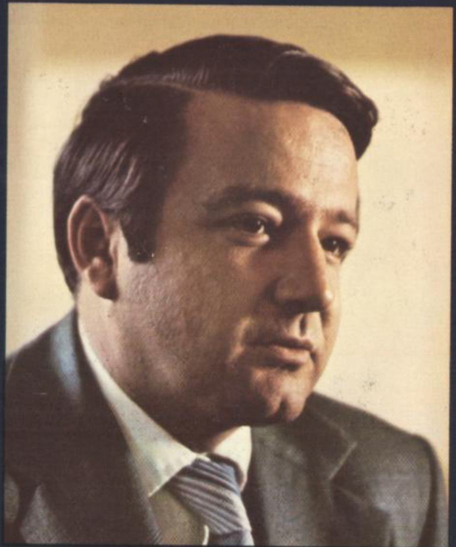
R. M. Knight, President
Chemicals



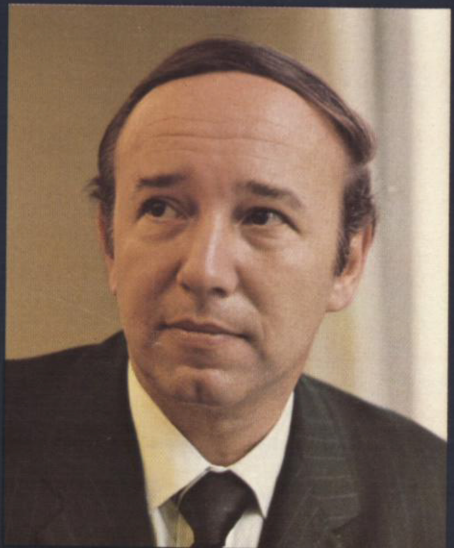
R. D. Ziegler, President
Consumer Products



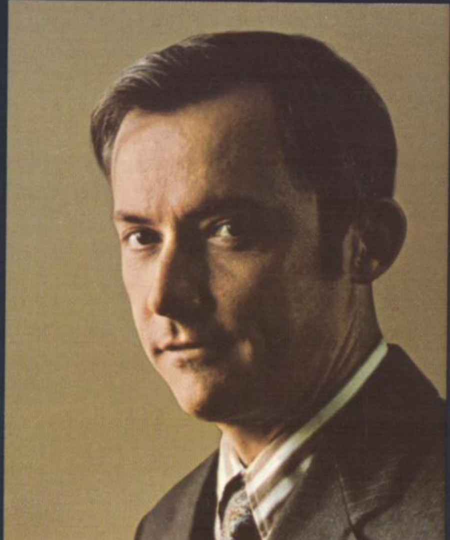
R. T. Beattie, Chairman
Rexall



G. G. Cowan, President
Dart Properties



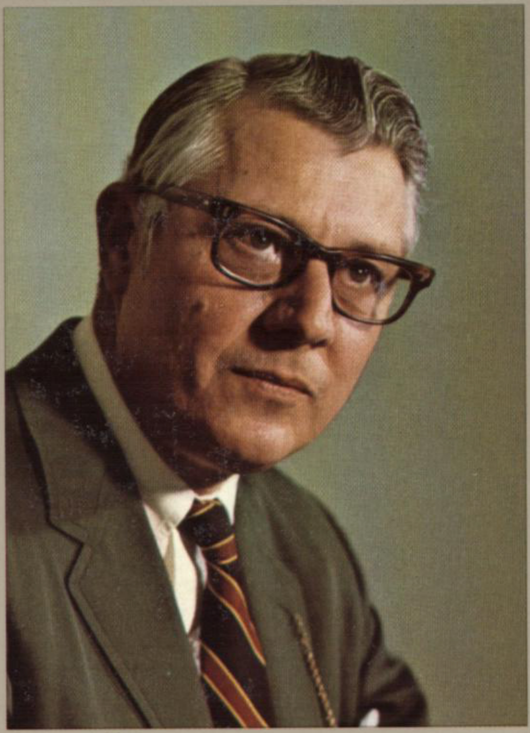
J. T. Pollock, President
Glass Containers



G. A. Childress, President
Plastics

## Corporate Staff

George J. Daly, *Executive Vice President and Chief Financial and Administrative Officer*



George J. Daly

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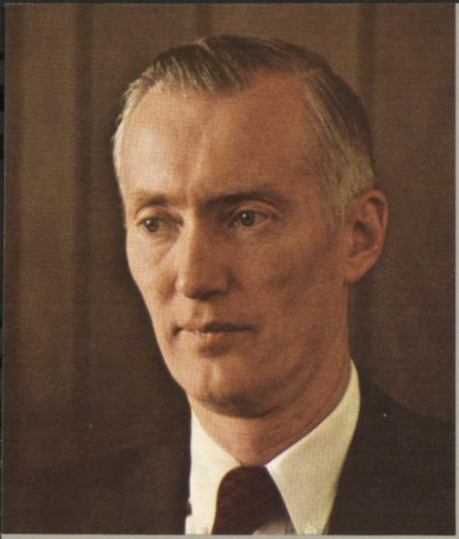
### ANNUAL MEETING

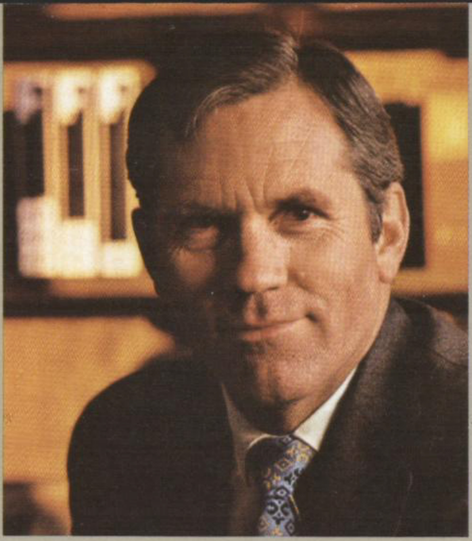
The Annual Meeting of Stockholders of Dart Industries Inc. will be held at 9 a.m. on Tuesday, April 25, 1972, at Corporate Headquarters, 8480 Beverly Blvd., Los Angeles, California 90048.

William K. Brehm, *Vice President, Corporate Development*

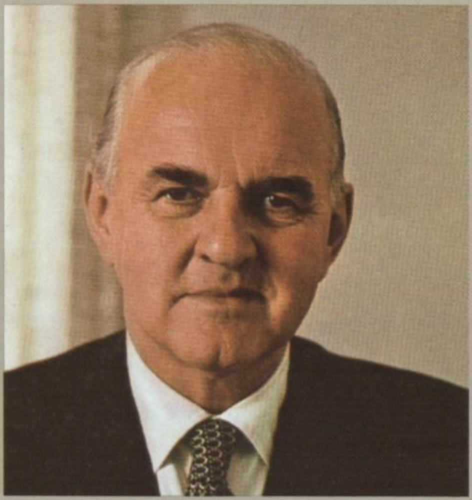
Dr. Richard H. Brien, *Corporate Group Vice President, Marketing*

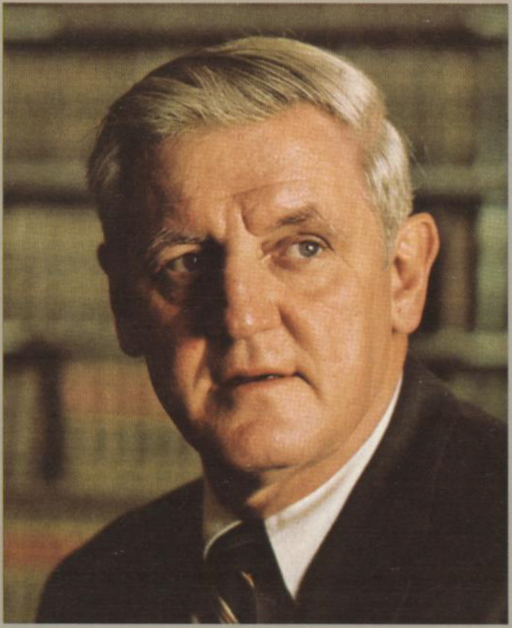
Dr. K. Wayne Smith, *Corporate Group Vice President, Planning*


Thomas M. Mullen, *Treasurer*


William R. Palmer, *Vice President and Controller*

Norman Wicks, *Corporate Group Vice President, Communications*

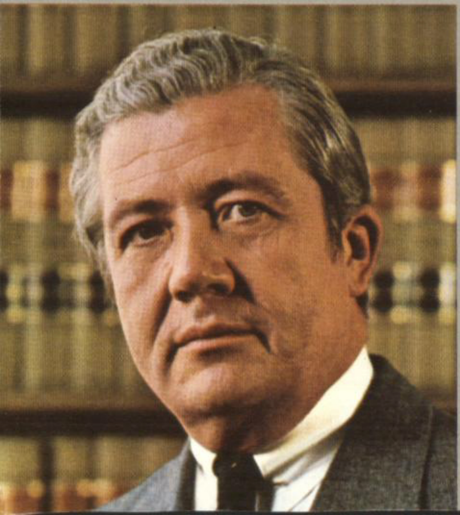

Robert G. Fergusson, *Corporate Group Vice President, Manpower Planning*


Russell K. Bolton, Jr., *Vice President and General Counsel*

Norbert Baillen, *Vice President-European Liaison, Corporate Development*

Herschel A. Phillips, *Vice President, Labor Relations*

Ernest L. Ramme, *Corporate Group Vice President, Management Services*


Edgar Thedens, *Secretary of the Company*

# To the Stockholders:

For the last several years in the Annual Report to Stockholders we have emphasized the products made and sold by the operating divisions. This was done in order to position your Company correctly for what it is—a world-wide, diversified consumer and consumer-related product company.

This year we are focusing attention on our most important asset — management. *Dart Industries today is a Management Company.* Among other things, our management system encourages timely and decisive action at all levels of operations, supported by effective checks and balances and financial controls at both the operating and corporate staff levels. In such a system people become most important.

On the front cover we have pictured our most important people, the seven chief executive officers responsible for operations. They have all the authority, flexibility and resources necessary to accomplish established goals.

The corporate staff, some of whom are pictured on the preceding pages, is headed by the Company's chief administrative and financial officer. The staff assists in long-range planning and provides financial controls and centralized services such as labor relations, legal and tax. It serves as an internal management consulting firm, offering highly specialized and technical services such as industrial engineering, operations research, financial and economic analysis and technical evaluation. These services are provided to our divisions on an "as requested" basis. The staff is also an important source of manpower for the operating divisions. Many of today's key operating managers came from the corporate staff.

Vital to our continued success is the assurance that we have the right people heading our key spots and the right backup people. Currently, we have more depth in management than at any other time in our Company's history.

**RECORD EARNINGS AND SALES** Results for the year 1971 were the most successful in the Company's seventy years. Both sales and earnings reached record highs.

Net earnings increased 19 percent over 1970 on a 15 percent gain in sales. Pretax earnings in 1971 increased 17 percent and pretax margin on sales was 11.5 percent compared with 11.3 percent in 1970. In view of these improvements, return on Stockholders' equity increased from 9.4 percent in 1970 to 10.2 percent. All comparisons are before an extraordinary gain in 1970.

Detailed figures are shown in the summary on page 3 and in the Financial Statements starting on page 33. Sales and pretax earnings by major lines of business are also shown on page 3.

## THE YEAR IN BRIEF

| | *1971* | *1970†* |
|---|---|---|
| **Operations** | | |
| Net sales | $808,864,000 | $706,256,000 |
| Earnings before taxes and extraordinary items | 93,154,000 | 79,938,000 |
| Earnings before extraordinary items | 47,654,000 | 40,138,000 |
| Extraordinary items | | 52,445,000 |
| Net earnings | 47,654,000 | 92,583,000 |
| Earnings per share of Common Stock‡ | | |
| Including Common Stock equivalents | | |
| Before extraordinary items | 2.23 | 1.84* |
| Fully diluted | | |
| Before extraordinary items | 2.18 | 1.83* |
| **At Yearend** | | |
| Current assets | 365,714,000 | 314,797,000 |
| Current liabilities | 123,379,000 | 166,530,000 |
| Working capital | 242,335,000 | 148,267,000 |
| Long term debt | 129,655,000 | 75,298,000 |
| Stockholders' equity | 467,389,000 | 429,078,000 |
| Shares of Common Stock outstanding | 18,648,700 | 18,537,000* |
| Shares of Preferred Stock outstanding | 2,959,700 | 2,959,800 |
| **Dividends Per Share** | | |
| Common Stock | | |
| Cash | $ .30 | $ .30 |
| Stock | 3% | 3% |
| Preferred Stock | $2.00 | $2.00 |

*†Restated for pooling of interests and to include certain reclassifications to conform with 1971 presentation.*

*‡Net earnings per share including Common Stock equivalents were $2.23 for 1971 and $4.67* for 1970; fully diluted net earnings per share were $2.18 and $4.26*, for 1971 and 1970.*

**Adjusted for 3% Common Stock dividend issued in March 1971.*

## SALES AND PRETAX EARNINGS BY LINES OF BUSINESS

*The earnings presented below are before deduction of certain corporate expenses, interest expense, except for land development obligations, and income taxes; and before addition of certain other income. International operations are included.*

The extraordinary gain in 1970 on sale of the Riker ethical drug business to 3M and the extraordinary charge resulting from earthquake damage at the Thatcher Glass plant in California are excluded.

| | *1971* | *(in millions)* | *1970** | |
|---|---|---|---|---|
| | *Sales* | *Earnings* | *Sales* | *Earnings* |
| Direct Selling | $187 | $43.6 | $144 | $28.7 |
| Consumer Products | 128 | 17.0 | 118 | 15.3 |
| Chemicals and Plastics | 224 | 26.3 | 198 | 25.2 |
| Glass Containers | 120 | 23.1 | 112 | 21.5 |
| Land Development | 30 | 5.4 | 8 | .6 |
| Rexall Drug and Retail | 120 | 1.6 | 126 | 3.3 |
| Total | $809 | $117.0 | $706 | $94.6 |

**Restated for pooling of interests and to include certain reclassifications to conform with 1971 presentation.*

**VANDA BEAUTY COUNSELOR** We continue confident that Vanda Beauty Counselor, our direct selling cosmetics operation, will emerge as a substantial asset for your Company. At this time last year we wrote that we expected the loss from Vanda Beauty Counselor to be reduced in 1971 from 1970 levels. Improvement developed as foreseen, both in sales and in the reduction of the operating loss. Further improvement in Vanda Beauty Counselor operations is currently projected for 1972.

**INTERNATIONAL OPERATIONS** Today we have 35 manufacturing plants operating in 12 countries outside the United States. With very minor exceptions, our products made in these plants are sold exclusively outside the United States in more than 30 countries. Of the total sales of the operating groups as shown in the Lines of Business table on page 3, $123 million, over 15 percent, came from operations outside the U.S. Net earnings from these sales were $8.6 million, or 18 percent of total net earnings. In the previous year $5.4 million was earned on sales of $94 million.

**DIVIDENDS** In 1971, quarterly dividends on the Common Stock continued to aggregate thirty cents. In addition, a 3 percent stock dividend, which has been paid regularly since 1959, was paid in 1971 and a similar dividend has been declared for payment in March 1972. Semi-annual dividends totaling $2.00 on the Series A $2 Cumulative Convertible Preferred Stock were paid.

**FINANCIAL POSITION** In March 1971 a $60 million public offering of 25-year debentures, with a 7.64 percent net interest cost, was successfully completed. With the availability of funds from this financing, short term debt of $35 million was retired and a $100 million bank credit line was terminated.

With the increase in long term debt from the debenture offering, debt-to-equity ratio at the end of 1971 had increased to $.28 of long term debt to $1 of equity compared with $.18 to $1 at the end of 1970.

The Company at yearend continued to hold 746,256 shares of The 3M Company common stock which was carried on the books at that time at a value of $62 million. Market value at yearend was $100 million. The stock is the remainder of the total of 1,483,489 shares received from the sale of the Riker ethical drug division.

The ratio of current assets to current liabilities at the end of 1971 was 3.0:1 compared with 1.9:1 at the end of 1970.

Late in the year Dart Industries Credit Corp. was formed primarily to provide permanent financing for instalment receivables created by Dart Properties, the land development operations of the parent Company. This subsidiary buys the instalment receivables from the Company. By this means the cash flow available for corporate purposes is increased substantially. A group of banks has agreed to lend the credit subsidiary up to $65 million for a period of five years at an interest rate of ½ of 1 percent above the bank prime rate.

**EXPANSION CONTINUED** Our growth in 1971 resulted in large part from the capital investment program in new and modernized facilities carried on over a number of years. Cost of new property, plant and equipment in 1971 was $46.5 million. Preliminary estimates for 1972 expenditures call for $60 million.

The provision for depreciation and amortization was $31.4 million. Domestic investment tax credits of $530,000 have been applied to reduce the provision for taxes.

**ENVIRONMENTAL POLICY** Dart Industries Inc. recognizes that together with government, educational and research organizations and other public and private groups, American industry must bear its share of the responsibility for reducing pollution.

Our divisions are fully cognizant of their responsibilities to help solve environmental problems. They are cooperating with responsible agencies at all levels of government.

Divisional staff in areas concerned has been assigned to monitor environmental matters. A corporate officer has been assigned the responsibility to coordinate our overall effort.

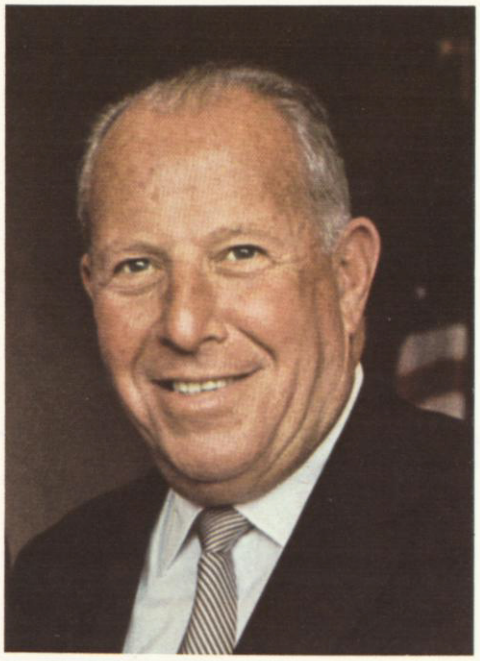
**EXECUTIVE CHANGES** On January 1, 1971, Franklin B. Pollock, vice chairman of the Board of Directors, released his title of chief executive of the Glass Containers Group and moved his office from New York City to corporate headquarters here in Los Angeles.

In December, Donald H. Brewer was appointed senior vice president and assistant to the president. He had been president of the Plastics Group since joining the Company in 1959.

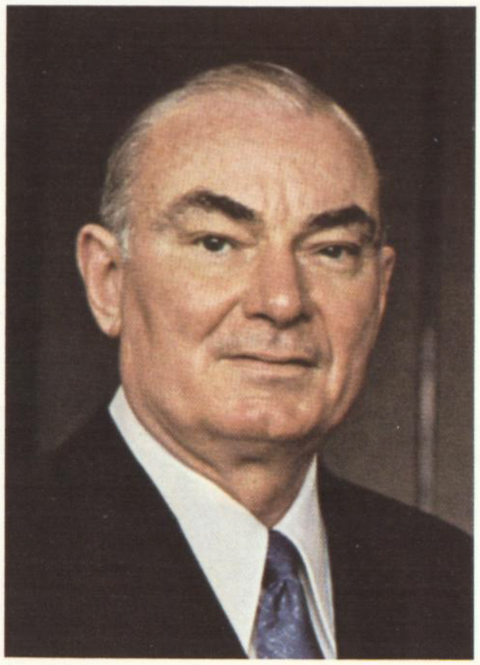
The growth records of the Glass Containers and Plastics Group operations make abundantly clear the important contributions these men have made. Their continued advice and participation as members of our top management team will be especially valuable at this time of accelerated corporate growth.

Succeeding Mr. Pollock as chief executive of the Glass Containers Group is John T. Pollock (age 46), who has been president and chief operating officer of Thatcher since 1968. Gary A. Childress (age 37) was appointed president of the Plastics Group, succeeding Mr. Brewer. He joined the Company's corporate staff in 1962 and has served in a number of corporate and divisional assignments. He left the corporate staff in 1967 to assume operating responsibility for the Seamless division. He completely reorganized that company, selling off part of it and dividing the remainder into two divisions—one in hospital supplies and the other in sporting goods. His most recent assignment was executive vice president of the Plastics Group.

J. J. Keenan (age 47) was made president of West Bend effective January 1, 1972, succeeding James R. Brown, who has retired. Mr. Keenan served with distinction in a number of executive assignments in the Consumer Products Group since joining the Company in 1965. Jim Brown retires after 36 years of



Franklin B. Pollock, *Vice Chairman*



Donald H. Brewer, *Senior Vice President and Assistant to the President* service, the last 13 as president of The West Bend Company.

Joseph Hines (age 43) became president of Vanda Beauty Counselor-U.S. after an outstanding performance as head of the Company's Styro-Products division. Succeeding Mr. Hines as president of the Styro-Products division was James P. Schwartz (age 39) who had been with Thompson Industries division as vice president of operations. John Geeson (age 46), who was responsible for the highly successful Tupperware operations in the United Kingdom, was appointed managing director of Vanda Beauty Counselor-United Kingdom. David Nicholson (age 38) succeeded Mr. Geeson as head of Tupperware-U.K. Phillip Grasso (age 45) was named executive vice president of Tupperware-U.S. He had been a regional vice president of that division. Howard K. Vander Linden (age 50) was appointed president of Rexall Drug Company-U.S. He had headed Rexall operations in Canada.

Within the corporate staff the following promotions were made: William R. Palmer was elected vice president and controller. He formerly had been controller. V. E. K. Borbiro was elected assistant controller, in addition to his position as assistant treasurer.

**RALPH WILSON, SR.** We at Dart were saddened by the death, on January 31, 1972, of Ralph Wilson, Sr. Mr. Wilson had been a member of your Board of Directors since 1966 when Ralph Wilson Plastics, the company he founded in 1955 at Temple, Texas, merged into Dart Industries. Since joining with Dart Industries, he served as chairman of the Architectural Products division of the Plastics Group. It is largely due to management programs he fostered that Ralph Wilson Plastics has been a most successful growth company.

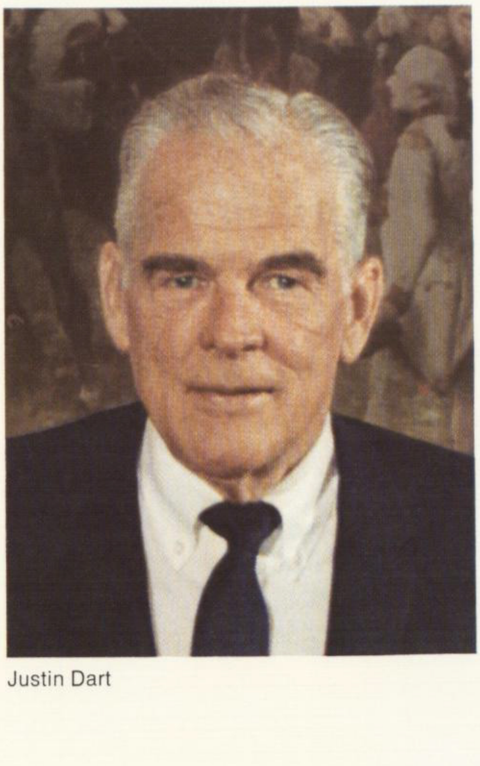
Not only an outstanding businessman, Mr. Wilson also had a strong call to community service. His exemplary efforts for the youth of his city were recognized fully in 1967 when the Boys Club of Temple was renamed the Ralph Wilson Boys Club. There could be no better tribute to him than an editorial in the Temple Daily Telegram which concluded: "... his memory will linger long among the hundreds whose lives he touched."

**LOOKING AHEAD** We anticipate a continuation of the forward momentum experienced in 1971 for the year 1972, based on indications of a stimulated domestic economy.

Justin Dart

Justin Dart
Chairman, President and Chief Executive Officer

February 28, 1972



Justin Dart

# Operations Review

## Direct Selling Group

*Operations involving the sale of products directly to customers in the comfort and convenience of their homes made the largest contribution to improved results in 1971 over 1970.*

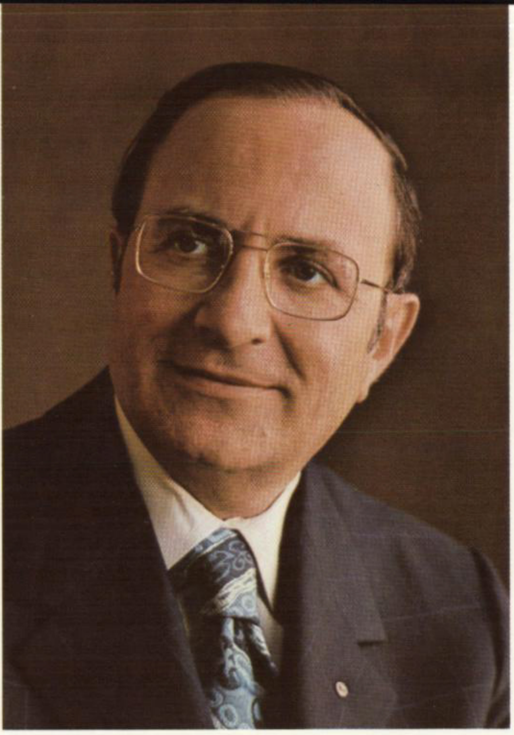
**TUPPERWARE DIVISION** *Tupperware* food preparation, storage and serving containers are sold directly in the home through a world-wide network of independent distributors and dealers in over 30 countries.

The Tupperware Division has maintained a consistently strong growth pattern since its acquisition by Dart Industries in September 1958, and 1971 was its most outstanding year. The growth in each of the division's three regions, North and South America; Europe, Africa and Middle East; and the Pacific Area was excellent.

In the years since 1958, the division has increased its production capacity by more than fifteen times. There are now manufacturing plants in eleven countries. The newest plant, in Jerome, Idaho, will be in production by spring of 1972. Expansions of existing plants are underway in Mexico, Canada, England, Belgium, South Africa, Australia and Japan. Plants around the world operated at capacity during 1971 with some plants, whose capacity was not needed for their particular market area, supplying other areas outside the U.S. where manufacturing facilities could not meet the demand.

Mold plants located in Australia and the United States continue to provide most of the division's needs for molds.

**INTERNATIONAL OPERATIONS** In the Pacific Area, Japan continues to grow at a particularly strong rate. In the Europe, Africa and Middle East region, Belgium and France continued to show a sound increase over last year. The Netherlands, South Africa and Switzerland all enjoyed substantial increases above the overall average for the region, while the strongest increases were achieved in the United Kingdom and Ireland, Greece and Germany. In the North and South America region, Canada is doing well and Mexico and Venezuela have shown excellent improvement during 1971.



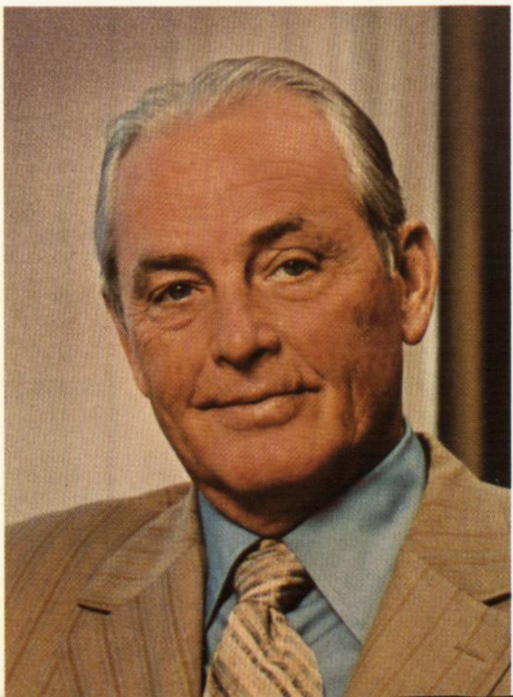
Joseph Hara

Hamer F. Wilson, *Executive Vice President; Chairman and Chief Executive Officer, Direct Selling Group*

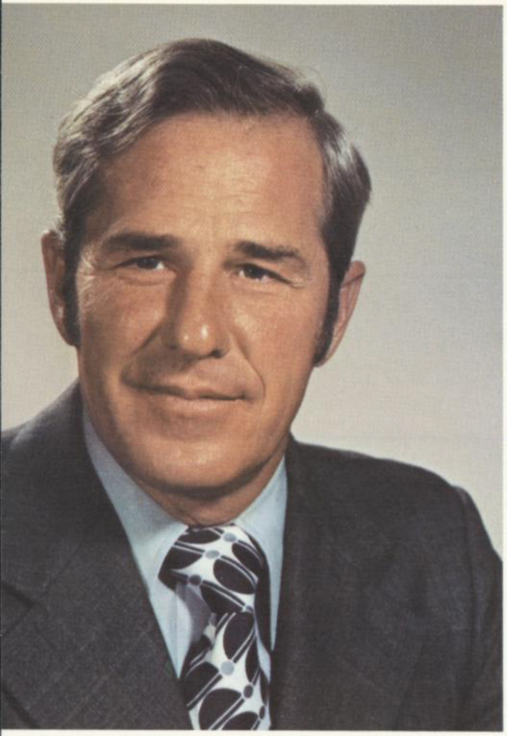
## Tupperware Division

Joseph Hara, *President, Tupperware Home Parties Company*
Walter Bond, *President, Tupperware Europe, Africa and Middle East*
John K. McCall, *President, Tupperware Pacific Area*
John R. Ansley, *President, Tupperware Company (Manufacturing) International*

Walter Bond



John K. McCall



John R. Ansley

**TUPPERWARE — U.S.** Operations in the United States continued to be the major producer in both sales and earnings. The U.S. theme was to make 1971 a "Star Spangled Year" and the Tupperware distributors and dealers certainly lived up to it. In the forefront of positive factors leading to the outstanding performance, was an increased sales force, well-trained by an efficient distributor and manager group. Greater market coverage was attained in the United States in1971 through the addition of two new sales regions to the existing eight. The increased concentration on distributor contact made possible with the addition of the new regions should result in further growth of the distributor organization throughout 1972.

Emphasis is continuing on research and development of new products. In 1971, among the items added to the line was a set of colorful "servalier" bowls featuring the new seal which was introduced a year earlier. Also introduced was a new beverage server with a variation of this unique seal concept.

**VANDA BEAUTY COUNSELOR DIVISION** Vanda Beauty Counselor is Dart Industries' entrant into the market for cosmetics and toiletries sold directly in the home. Sales are made by independent visitsaleswomen who are called Counselors.

The product line comprises in breadth and variety a full range of cosmetics and toiletries for the entire family. There are presently 300 *Vanda Beauty Counselor* products, including variations in make-up and skin care products. New product introductions are made at frequent intervals during the year. Operations presently are conducted in eight countries in addition to the U. S. — France, United Kingdom, Italy, Canada, South Africa, Australia, Lebanon and Mexico.

**VANDA BEAUTY COUNSELOR-U.S.** A new management team appointed early in 1971 instituted a number of programs which improved operations and laid the foundation for more significant progress during 1972 and 1973.

There has been marked improvement in plant efficiencies. Manufacturing expenses were reduced during the last half of

1971 and the division is in a position to substantially increase sales without requiring any additions to plant. A program to improve packaging designs and specifications was instituted. When finished, and the results are felt at plant level, manufacturing costs should be further reduced. The division has significantly improved its ability to forecast sales through the better utilization of field sales data. More precise sales forecasting in 1972 will have a material positive impact on the program to bring inventory into proper balance with sales.

The research and development activities, which previously had been carried on in Orlando, Detroit and Los Angeles, are being consolidated in Los Angeles. This will enhance the new products development effort and contribute to their more timely introduction to the marketplace.

For 1972, management plans to continue its programs to improve manufacturing, product development and design, and inventory controls, as well as its market test activities. A major concentration of effort has been initiated for the recruitment of new Counselors and the appointment of new distributors.

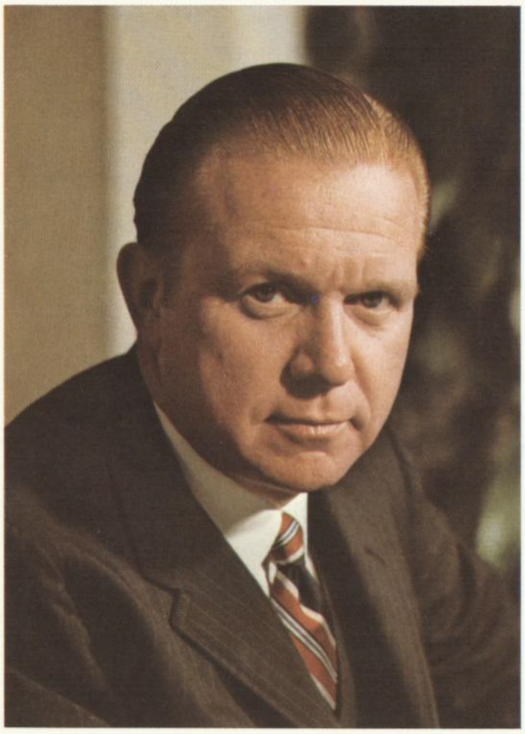
**VANDA BEAUTY COUNSELOR-INTERNATIONAL** The sales increase achieved outside the U.S. in 1971 was very satisfactory. To meet projected European sales requirements, a former Tupperware division plant in Belgium was converted to cosmetics production. It is now producing primarily for operations in France and Italy and for export to other markets outside the U.S. Quality, costs and service from the plant are excellent.

A new facility for United Kingdom operations is being started up in England. In view of the movement of England into the Common Market, production from the plant in England will be able to supplement that of the plant in Belgium.

Product development in Europe is the responsibility of a central group in London working with marketing people in the U.K., France and Italy. Wherever possible, new product designs from the U.S. furnish the foundation for the line overseas. There is also a constant reverse flow of both fashion and technical information from the European divisions to the United States.

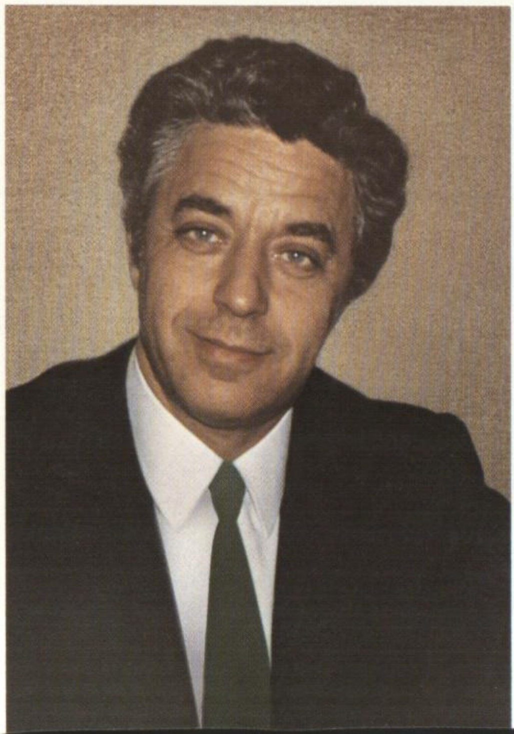
Robert Minvielle

John Geeson


Joseph Hines

## Vanda Beauty Counselor

Joseph Hines, *President, Vanda Beauty Counselor-U.S.*
Robert Minvielle, *Managing Director, Vanda Beauty Counselor-France*
John Geeson, *Managing Director, Vanda Beauty Counselor-United Kingdom*
J. J. Caminer, *Managing Director, Vanda Beauty Counselor-Italy*


J. J. Caminer

## Consumer Products Group

*1971 was a year of solid growth in sales and earnings for the Consumer Products Group.*

Improved results over 1970 were experienced almost across the board among its divisions with seven of nine divisions showing improvement. New products and aggressive merchandising, combined with a return to the marketplace by the consumer, particularly in the final months of the year, developed momentum which is expected to carry over into 1972.

**WEST BEND** Significant sales increases of specialty cookware product lines sold directly in the home and home comfort products (particularly humidifiers) merchandised through retail channels helped this division post improvements over 1970. New product introductions late in the year included a new cast aluminum cookware line in color, multi-colored (decorated) electric percs, an electric crisper and an electrified gourmet Chinese wok.

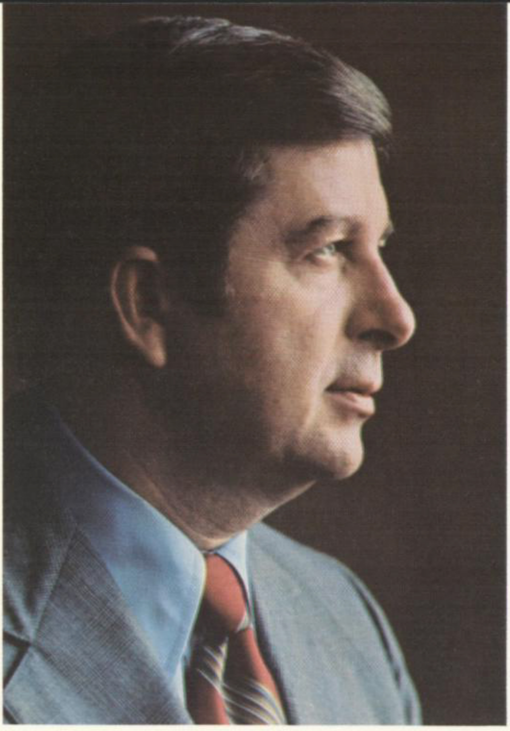
At the January 1972 Housewares Show in Chicago, West Bend introduced its broadest new product offering ever. A colorful line of decorated porcelain enameled cookware, *Scandia,* and a second line of cast aluminum cookware, *Country Forge,* were headliners at this show.

As anticipated, prior year expansions and continued relocation of production lines permitted improved efficiencies in operations. A two-year labor contract was signed in December.

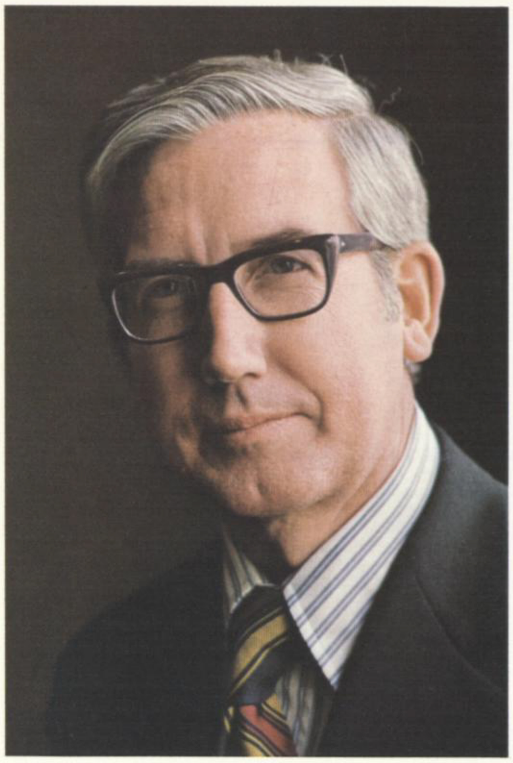
**WEST BEND-CANADA** West Bend-Canada enjoyed a record year in sales and earnings, aided by new product introductions—humidifiers and a line of porcelain enamel steel cookware. Excellent growth coupled with the economics of consolidation prompted the start of a 50,000 square foot warehouse addition at Barrie, Ontario and withdrawal from less desirable space which had been occupied in Toronto. The new facilities should be fully occupied in the early spring of 1972.

The acquisition of Regal Die Casting, Brampton, Ontario, in early 1971 has been responsible for West Bend's entry into

R. D. Ziegler



J. J. Keenan



C. A. Nelson

A. L. Sebell J. J. Conroy

## Consumer Products Group

R. D. Ziegler, *President and Chief Executive Officer, Consumer Products Group*

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J. J. Keenan, *Executive Vice President; President, The West Bend Company*
C. A. Nelson, *Vice President and Controller*
A. L. Sebell, *President, Syroco Division*
J. J. Conroy, *Executive Vice President, Syroco Division*

the cast aluminum cookware market in both Canada and the United States.

**THERMO-SERV** Thermo-Serv, with its individualistic insulated and non-insulated plastic serving ware for household and institutional use combined with its newly styled glass vacuum product line, recorded substantial improvement over 1970. Thermo-Serv continues to gain recognition and acceptance for its quality products.

**COPPERCRAFT** Coppercraft continued to improve on prior years' results. Merchandised under the party plan method of selling, *Coppercraft* giftware products were introduced in Canada for the first time during 1971.

**NAPPE-SMITH** Results at Nappe-Smith, the foremost name in insulated bags and thermal containers, were aided by added production from its Isanti, Minnesota plant. This division also brought 20,000 square feet of additional space on stream at its Farmingdale, New Jersey location late in 1971.

**HOME FURNISHING ACCESSORIES** Under new leadership, Syroco, the major manufacturer of decorative accessories for the home, had a dramatic turnaround and attained excellent results in 1971. Sales were stimulated by the consumers' enthusiastic reception of a limited line of colorful Parsons tables. Syroco, Canada, also had an improved 1971 over 1970.

Early 1972 introductions of new sizes, colors, and the industry's first molded-in decorated Parsons tables have produced encouraging customer response. Many new wall and table decor items designed for mass market appeal also have been added to Syroco's 1972 product line.

Babcock-Phillips, which manufactures hassocks, pillows and cushions, and Reliable, a producer of picture frames and framed prints and oils, did not experience the pick up from consumer buying in the second half of 1971 to the same extent as the other divisions.

## Dart Properties Group

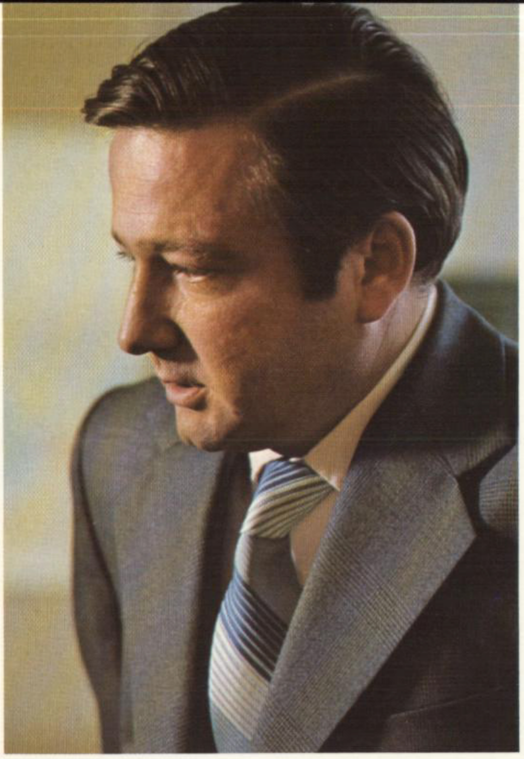
*Dart Properties made a good contribution to corporate performance, reflecting strong customer acceptance for its high quality products.*

In the first full year of operations, Dart Properties and *Lakeworld,* its recreational development and marketing arm, initiated public sales in three major recreational communities encompassing 37,000 acres. Customer response has been excellent, reflecting favorable acceptance of the high quality and utilitarian value found in each of the developments. The Company's policy of early construction of amenities such as golf courses, equestrian centers and ski complexes along with roadways, utilities and other tract improvements, plus careful consideration of environmental factors all contribute to favorable acceptance.

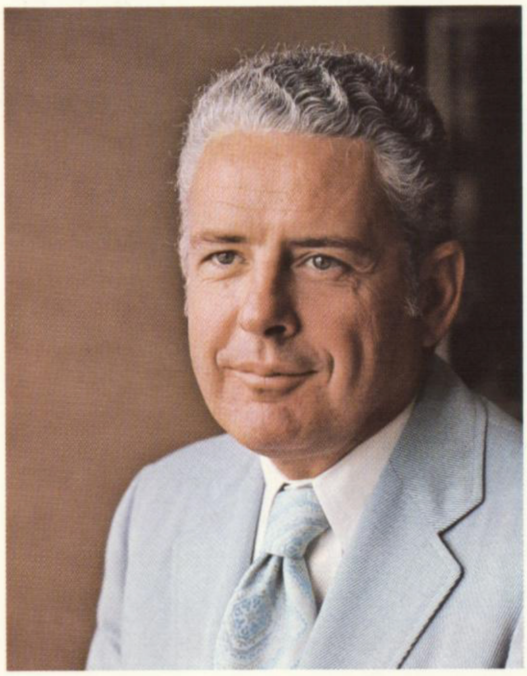
To augment and sustain the extensive environmental planning that has gone into each project, the Company has retained an authority on ecology to institute comprehensive programs for the protection and management of wildlife, the care and improvement of natural growth, streams and ponds, and the establishment of trails and camping areas.

Dart Properties emphasizes the purchase of property for use rather than investment. To encourage early home building by land purchasers, the division has started on-site construction of custom housing and condominiums. In this connection American Building Systems, a home builder with headquarters in California, was acquired late in 1971. It is anticipated that this company will do homebuilding on all Dart projects in California, as well as developments of its own directed toward the primary home market. Building costs are so high that custom houses for most people are prohibitive. American Building Systems will bring tasteful and distinctive houses, condominiums and apartments to the home buyer at much more reasonable prices.

In addition to *Bear Valley Springs,* on which public sales opened in January 1971, Lakeworld started the development and marketing of two other planned communities during the year. *Tahoe Donner,* a four-season recreational development

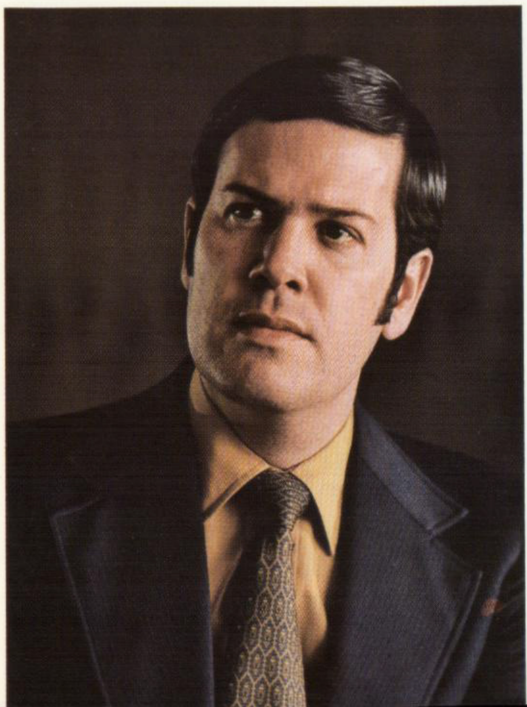


Gary G. Cowan

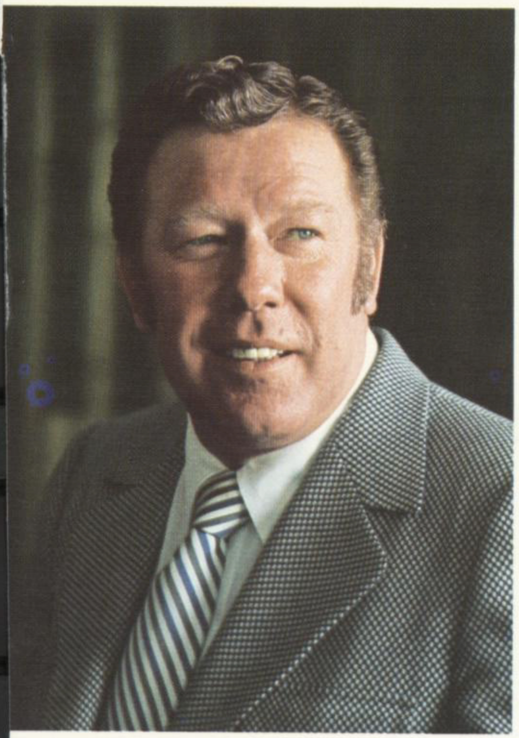


Terence M. Ragan

Robert V. Wethern Fred Damavandi Edward L. Pasteris



William E. Pierce



Jack E. Kirby

## Dart Properties Group

Gary G. Cowan, *President and Chief Executive Officer, Dart Properties Group*

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Jack E. Kirby, *President, Lakeworld*
Terence M. Ragan, *Executive Vice President, Sales and Marketing, Lakeworld*
Robert V. Wethern, *President, American Building Systems*
Fred Damavandi, *Vice President—Development, Lakeworld*
Edward L. Pasteris, *Director—Operations, Lakeworld*
William E. Pierce, *National Controller, Lakeworld*

in Northern California, was opened late in June. Sales at Silver Lakes, a resort, second-home development along the Mojave River north of Victorville, California, started in November.

The three major projects now under development are each within two and three hours driving time of major metropolitan centers. The remaining small land inventory at Dart Properties' first project, Valley Hi, in Victorville, California, 90 miles northeast of Los Angeles, will be reserved for American Building Systems programs.

Consistent with Company policy, each project is being marketed by a highly trained and disciplined sales team backed by the experienced management of Lakeworld. Each salesman, in addition to being licensed by the State of California, undergoes continuous training in the responsible and effective sales techniques perfected by Lakeworld management. The Company's policies of encouraging on-site inspection before purchase, avoiding high pressure sales tactics, providing for a follow-up interview with each prospective purchaser, and requiring a 10 percent down payment together with an average interest rate of 8¼ percent on the balance, have contributed to a very low foreclosure rate of less than one percent.

### *Current Projects*

**BEAR VALLEY SPRINGS** The initial major land development project of Dart Properties is a 24,950-acre recreational and second home residential community near Tehachapi, approximately 120 miles north of Los Angeles. The project offers extensive recreational amenities balanced by strict environmental controls designed to preserve its natural beauty and native wildlife. Over 5,700 acres have been set aside as wilderness and greenbelt areas. Homesites in the 24-hour gate-guarded community have been limited to only 4,500 (in an area 75 percent larger than Manhattan Island) to help preserve the beauty and tranquility of the area.

Recreational amenities include a recreation center with clubhouse, restaurant, meeting rooms, tennis and paddle tennis courts and swimming pools; a nine-hole golf course (under construction), a town center, equestrian facilities and riding trails, campgrounds, and fishing ponds.

Lot sales at Bear Valley Springs began in January 1971.

**TAHOE DONNER** The second major project of Dart Properties, Tahoe Donner, comprises some 6,000 acres and is located 16 miles north of Lake Tahoe in Northern California. In this development, homesite owners are required to retain the rear 20 percent of their land in a natural state. Additionally, greenbelt corridors up to 600 feet wide will be maintained along two creeks that flow through the property. Thus, over 28 percent of the total property has been assigned to greenbelts, parks and common recreation areas.

Located in a heavily-wooded setting, Tahoe Donner will have a ski complex, a championship 18-hole golf course and country club, a private beach club on nearby Donner Lake, an equestrian center and riding trails, a recreation center with a restaurant, swimming pools and tennis courts, a campground and a public overnight lodge.

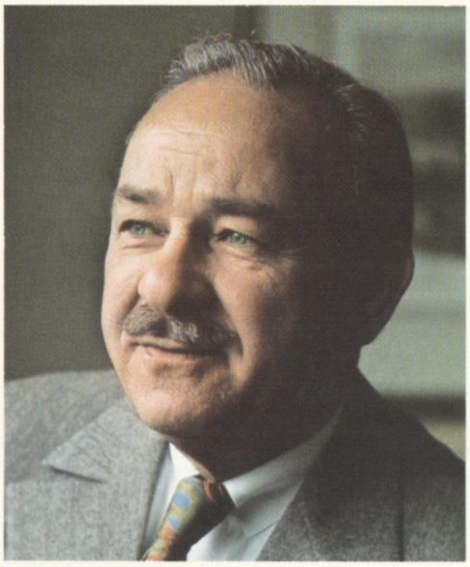
Lot sales at Tahoe Donner began in June 1971.

**SILVER LAKES** The newest project of Dart Properties is a recreation resort community centered around two large man-made lakes, providing an aggregate of 270 surface acres for water recreational activities. Located along the Mojave River north of Victorville, 113 miles northeast of Los Angeles, the project totals about 6,000 acres. Development work will take place in two phases, with work on the 2,600 acres comprising phase one currently underway.

In addition to the lakes, Silver Lakes will have 27 holes of golf, a lodge and country club, boating and equestrian facilities, clubhouse and resort center, tennis courts and swimming pools. Environmental specialists assisted in planning the amenities and extensive engineering studies were undertaken to carefully plan for water conservation, soil stabilization, and other ecological matters related to the development.

Lot sales at Silver Lakes began in November 1971.

Howard K. Vander Linden Robert T. Beattie



Joseph Hecht

## Rexall Group

*Lower earnings resulted from declining sales. Invested capital continues to be reduced.*

**REXALL DRUG COMPANY** Rexall manufactures medicines, pharmaceuticals, toiletries and cosmetics for Rexall franchised stores in the United States, Canada, and South Africa.

In the U.S., cost control programs only partially offset the effects of lower sales and changing product mix. A program has been initiated to improve product mix by concentrating marketing efforts on Rexall-brand products manufactured in the company laboratories in St. Louis, Missouri. The distribution of sundry items manufactured by others will be curtailed.

**LIGGETT—DRUG KING** Rexall now operates 57 *Liggett* drug stores and 19 cosmetic concessions on the East Coast. *Drug King,* on the West Coast, operates 18 stores.

**REXALL REALTY CORPORATION** This division is responsible for divesting stores in which Rexall has only a partial interest. Interests in 9 such stores were sold in 1971, with 20 remaining in operation at yearend.

Charles F. Falkenhainer

## Rexall Group

Robert T. Beattie, *Chairman and Chief Executive Officer, Rexall Group*

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Howard K. Vander Linden, *President, Rexall-U.S.*
Joseph Hecht, *President, Drug King, Inc.*
Charles F. Falkenhainer, *President, Liggett Drug Company*

## Glass Containers Group

*The advance at Thatcher Glass was particularly noteworthy when compared with the performance of the industry. Thatcher's performance was aided by the recognized quality of its products, its technological abilities and its favorable product mix.*

John T. Pollock

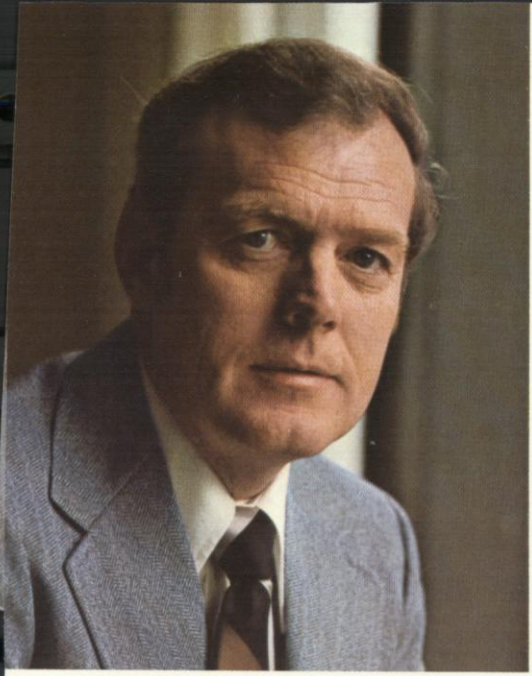
Thatcher Glass had record sales and earnings in the face of several adversities. The glass container industry experienced intense competition as a result of over capacity. No new industry facilities have been announced for 1972 and an improved supply-demand relationship is anticipated.

In February 1971, the Saugus, California plant was severely damaged by a major earthquake whose epicenter was calculated to be three miles from the plant location. A team of production and engineering experts from the Elmira headquarters was transported to Saugus within hours and immediately began working with plant personnel to restore the facilities. Production was resumed on one furnace within four days and the other two were rebuilt completely and put into operation within three months. Remarkable also was the fact that no employee sustained a serious injury.

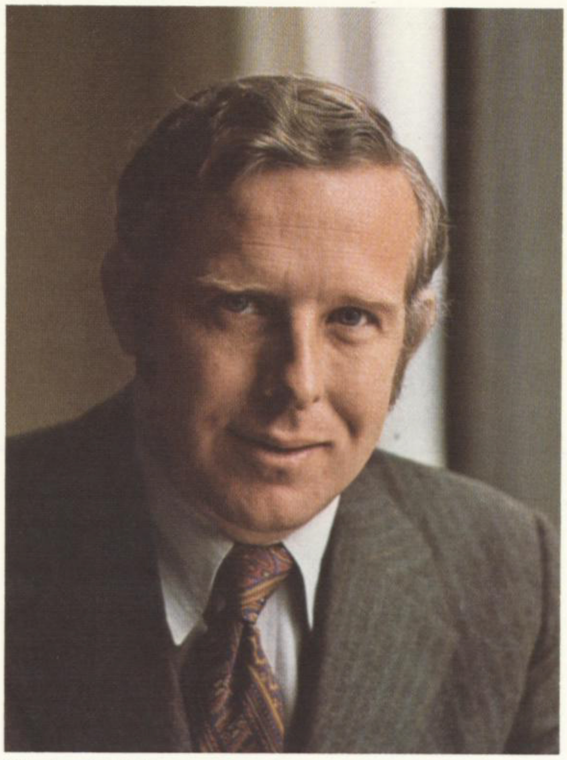
Thatcher's research effort continues to be directed toward development of stronger but lighter weight glass bottles. This effort appears sufficiently promising to result in new products for marketing in 1972.

In October, wage negotiations with the moldmakers, broken off in August by the imposition of the wage freeze, produced a new three-year contract.

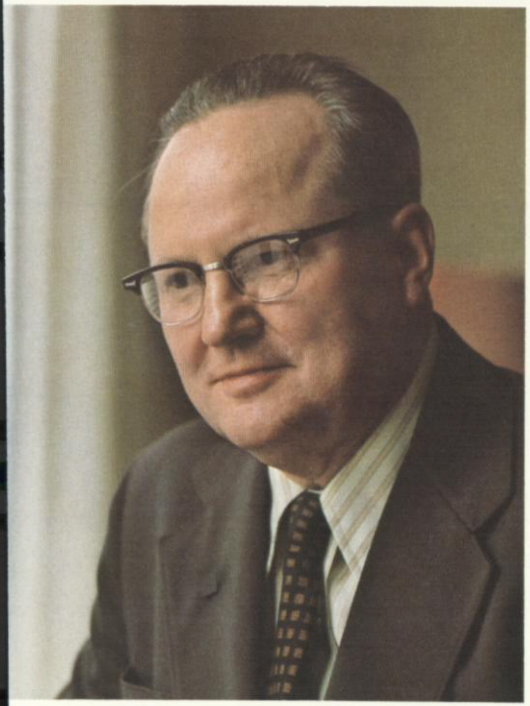
The Company's interest in environmental affairs continues at a high level. Collection of waste glass at Thatcher factories, as part of a national program to encourage recycling of glass, increased very strongly in 1971, totaling over 16 million pounds purchased from the public for recycling in Thatcher furnaces. This total augmented the 54 million pounds of waste glass purchased from regular waste glass dealers. Company support of the Glass Container Manufacturers Institute recycling program remained strong and John T. Pollock, Thatcher president, was named chairman of the association's Public Affairs Committee.



Charles F. Casey



Charles A. Whiteman, Jr.



Dr. Roy S. Arrandale

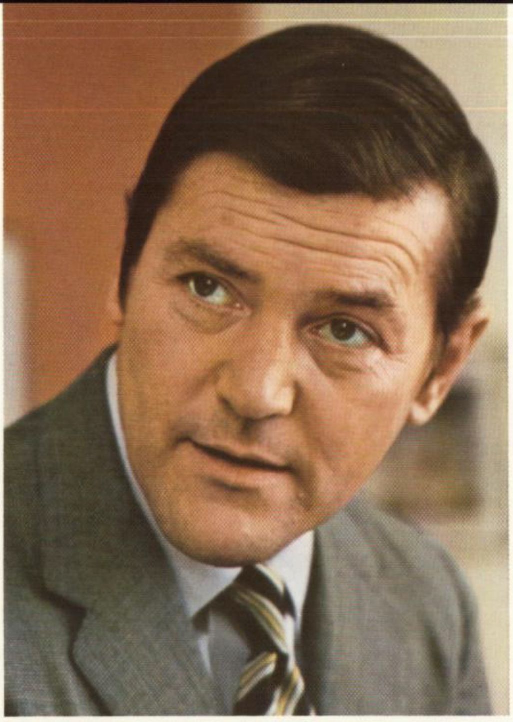
## Thatcher Glass

John T. Pollock, *President and Chief Executive Officer, Glass Containers Group*

---

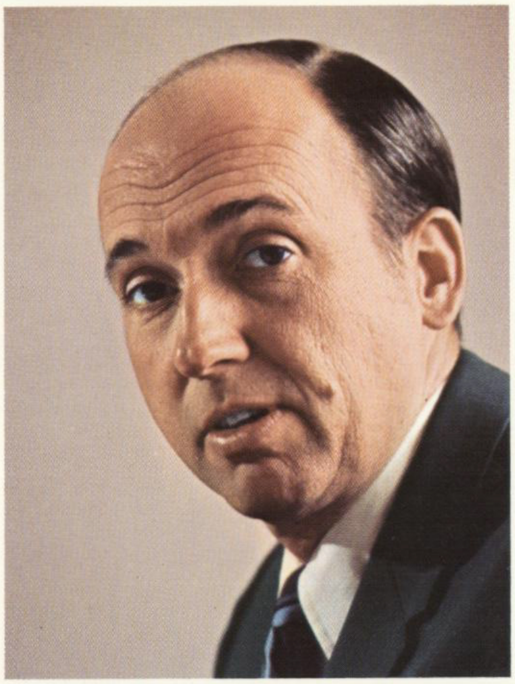
Charles F. Casey, *Executive Vice President, Manufacturing*
Dr. Roy S. Arrandale, *Executive Vice President, Research and Engineering*
William H. Greenberg, *Executive Vice President, Sales*
Charles A. Whiteman, Jr., *Treasurer*

William H. Greenberg



E. W. Phares

Ralph M. Knight



John C. Phifer

## Chemical Group

Ralph M. Knight, *President and Chief Executive Officer, Chemical Group*

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E. W. Phares, *Executive Vice President, Polymers Division*
John C. Phifer, *Vice President, Planning and Financial Controls*
R. Timothy Kelley, *Executive Vice President, Chemical Specialties*
Dr. Arnold B. Finestone, *Executive Vice President, Development and Engineering*

R. Timothy Kelley

Dr. Arnold B. Finestone

## Chemical and Plastics Groups

*Improvement in the Plastics Group's fabricated product divisions offset the effect of declining raw material sales prices in the Chemical Group.*

### *Chemical Operations*

Production and sales volumes were well above 1970 levels. However, price weaknesses, particularly for the plastic raw materials produced in the joint venture with El Paso Products Company, reduced earnings.

**JOINT VENTURE OPERATIONS** Polyethylene capacity increased 10 percent to 355 million pounds and physical sales volume was higher than in 1970. Market prices, off significantly from the prior year, yielded a lower return in both sales and earnings. Physical sales volume of polypropylene also was higher as the 50 million pounds of capacity added in 1970 (bringing total capacity to 130 million pounds) was brought on stream in 1971. Again, lower prices along with non-recurring start-up costs had negative impacts on earnings. The expanded olefins plant, which produces ethylene and propylene, came on stream bringing capacity to 675 million pounds. Increased raw material and start-up production and engineering costs resulted in pressure on earnings.

CT Film, jointly owned with El Paso Products Company, was also affected by the same condition of oversupply in the face of demand. For 1972, this division is shifting from competitive markets for packaging film and increasing its emphasis on specialty films, laminates and embossed products.

**WHOLLY-OWNED PLASTIC RAW MATERIALS** This segment of the business registered good improvement in polystyrene and acrylonitrile-butadiene-styrene (ABS) resins and at Southwest Latex, which produces latices used for paper coating and carpet backing. Added emphasis on specialty polystyrene and ABS products is expected to accelerate the improving trend.

**CHEMICAL SPECIALTIES** Improved performance was shown as the year progressed. Two noteworthy events were the formation of Dart Chemical Specialties S.A. to expedite development of new business in European markets and the expansion of catalyst manufacturing facilities in the United States.

Formation of the European subsidiary initially involves Wilson Products, producer of color concentrates, and Capital Controls, manufacturer of chlorinators and control devices used in water purification. Both companies are well established in domestic markets and have sizable sales in Europe where they foresee further growth opportunities.

The facility expansion program involves PureChem, producer of catalysts used in the manufacture of plastic raw materials. Catalyst production at the new facility near Houston, Texas will enable PureChem to serve better the petrochemical industry centered in the Southwest. The facility will have twice the capacity of PureChem's current plant and is scheduled for completion in the second quarter of 1972.

In other catalyst operations, Aztec Chemicals completed a two-year capital improvement program which included a new manufacturing building and installation of additional pollution control equipment.

In the environmental services area, Capital Controls and Lancy Laboratories showed good growth. Capital Controls had encouraging sales of its new system to automatically control chlorine content in the purification of water. Lancy Laboratories doubled the size of its laboratory facilities and is opening a third branch office in response to increasing demands for its expertise in waste systems engineering. Sales at Electrochemicals, which produces chemicals used in electroplating, were down for the year due to reduced demand.

Plastic specialties operations at Fiberfil and Wilson Products showed improvement. Increased sales to automotive, appliance and electronic markets of fiberglass reinforced thermoplastics contributed to Fiberfil's improvement. Wilson Products' growth came mainly from European demands for colorants used in wire and cable, plus domestic applications in artificial turf and molded plastic parts.

### *Plastics Operations*

Overall performance of the Plastics Group continued to improve during the year.

**ARCHITECTURAL PRODUCTS** A strong home construction market during 1971 provided the basis for another growth year. Ralph Wilson Plastics introduced several new patterns and colors in its *Wilson Art* decorative interior surfacing materials, plus a new polyester resin material for furniture and cabinets. These products were well received by builders. Work was begun on a plant addition in Temple, Texas which will increase production capacity substantially. Warehousing space was added in four existing locations and another warehouse will be enlarged during 1972. These expansions are designed to keep the division first in quality and customer service.

Wilson-Art Contact Cement, used in the application of laminates to plywood or particle board, was successfully introduced. New manufacturing facilities with a research laboratory for development of additional adhesive products have been completed at Denham Springs, Louisiana.

Panel Products, which makes vinyl-clad wall paneling and furniture parts, also recorded improvements in 1971. Its products can be used in combination with *Wilson Art* laminates and polyboard.

**STYRO-PRODUCTS** The Styro-Products division continued its growth pattern. Two new activities—Canada Cup, centered in Toronto, and Insulpak, located in the United Kingdom—were added. Canada Cup has the technical know-how for precision molding plastic cups which, it is anticipated, will find acceptance in the vending machine market in the U.S. and abroad.

Insulpak, working in conjunction with Camira, N.V., based in Holland, provides a stronger base for growth in the European market. In this connection, Camira opened distribution channels in Germany and Belgium during 1971.

The division embarked on a program of integrated product selling between Thompson Industries and Rexcel. This move will enable Rexcel to add sales of thermoformed plastic containers through use of Thompson's distribution system.

Rexcel showed particularly good progress during the year through additional expansion of marketing efforts into containers for delicatessen products and the carry-out market. Thompson Industries improved its 10-pound foam plastic container, which should yield added carry-out food business.

**SPECIALTIES AND PACKAGING** Good improvements were experienced in plastic extrusion operations and in plastic packaging overseas. Offsetting this were economic conditions which affected U.S. packaging and sign operations, along with a mid-year strike at a plastic tube plant in Muscatine, Iowa.

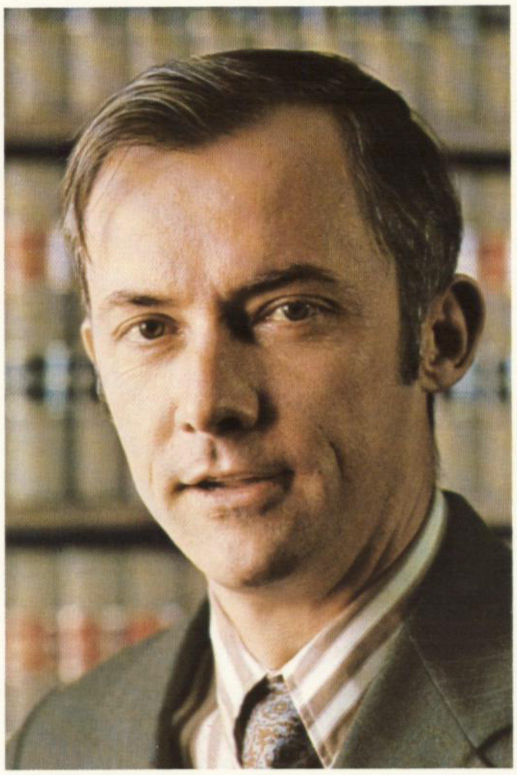
In the extrusion area, Colorite, a garden hose manufacturer, is developing a new automatic hose packaging machine; Action is moving into industrial applications for its line of swimming pool hose; and American Gasket and Rubber is testing new proprietary compounds for its gaskets for aerosol cans.

Plans are being made to expand production of plastic bottles in Belgium, as well as to introduce to all overseas plastic bottle operations new injection and blow-molding technologies.

In 1972, U. S. packaging operations should improve because of new demands for Thatcher Plastic *Celon* bands and safety closures and developments at Thatcher and White Metal, including a new laminated tube and small-sized aerosol container.

**SEAMLESS** Operations continued to improve over the previous year. Acquisition in early 1971 from Gillette Co. of Sterilon, which produces a line of surgical disposable products, is expected to broaden sales in this fast growing segment of the health care market. The division's move into a new automated surgical glove manufacturing plant in Fayette, Alabama, planned for mid-1972, should improve its competitive position.

Seamless' sporting goods division launched a major sales effort into the tennis market with introduction of a new aluminum alloy racquet along with a complete line of wooden racquets, balls and tennis supplies.



Gary A. Childress

## Plastics Group

Gary A. Childress, *President and Chief Executive Officer, Plastics Group*

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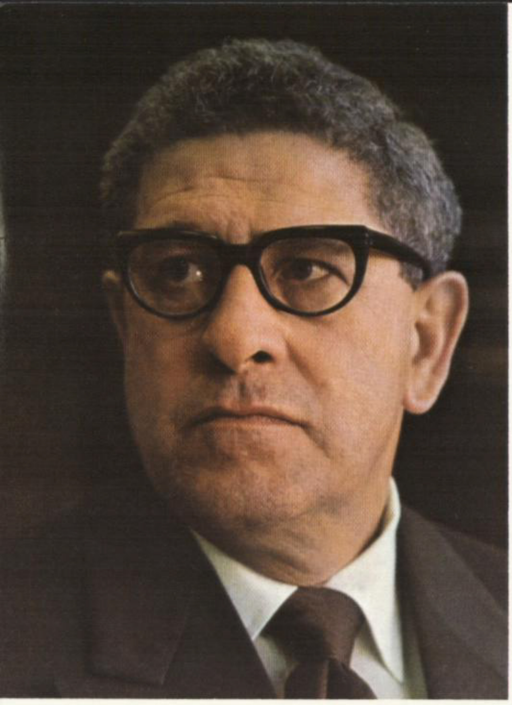
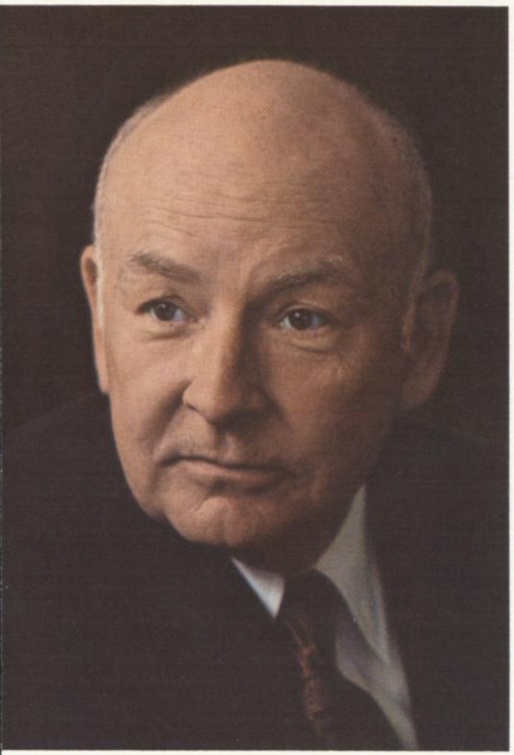
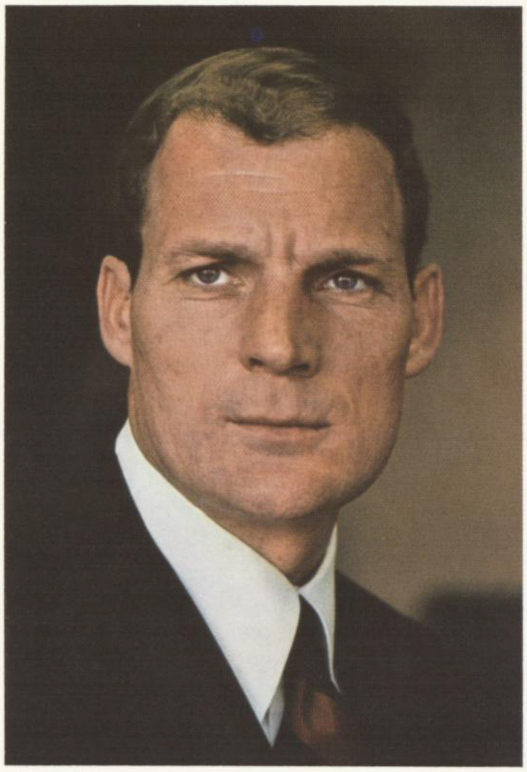
E. M. Davis, *Vice President, Research and New Product Development; President, Specialties Division*
Ralph Wilson, Jr., *President, Architectural Products Division*
Richard Vosburgh, *President, Packaging Division*
James P. Schwartz, *President, Styro-Products Division*
Richard H. Smith, *Vice President, Finance*



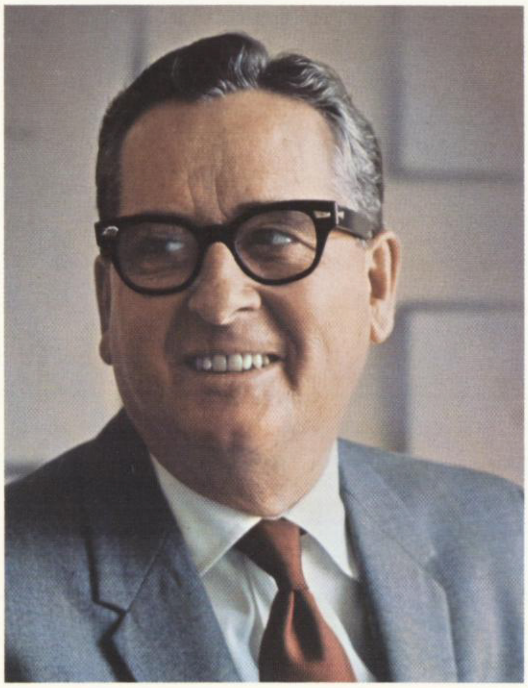
E. M. Davis



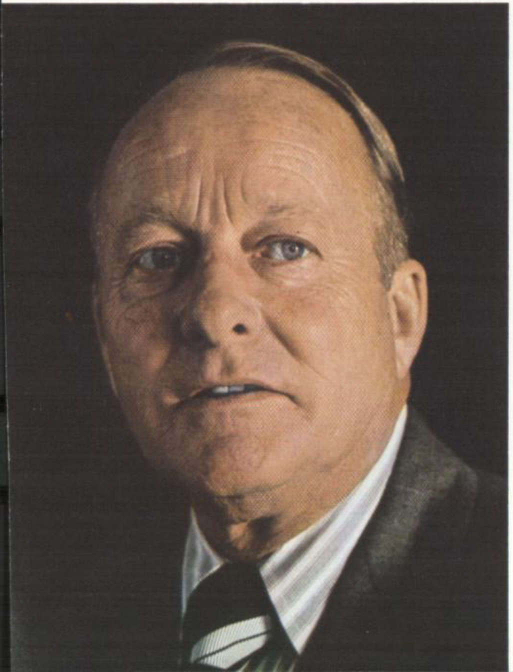
Ralph Wilson, Jr.



James P. Schwartz

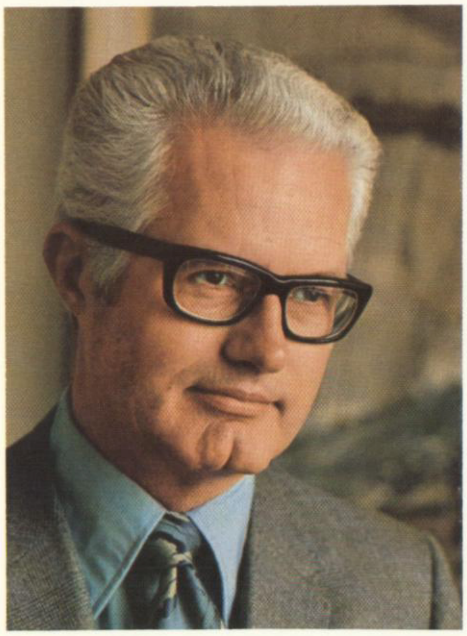


Richard H. Smith



Richard Vosburgh

Vincent R. Cucina



Gerald C. Wiedman

## Corporate Staff

The corporate staff provides financial analysis and controls and the planning coordination necessary for sound growth and profitable operations of the Company, as well as services for the operating divisions as noted in the Letter to Stockholders.

The corporate staff also serves as a base for the initiation and development of new business ventures.

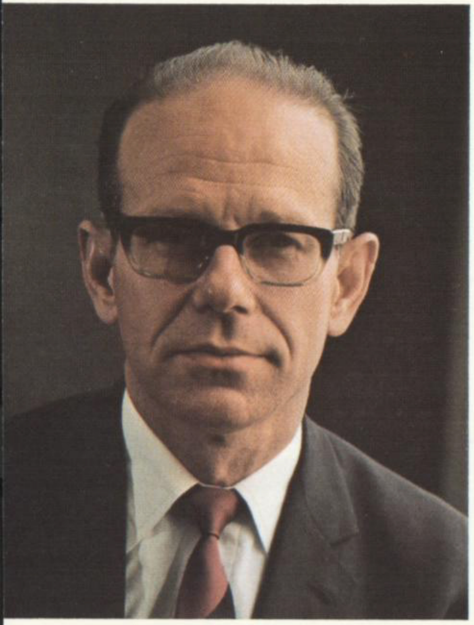
The Corporate Development Department of the staff, formalized in 1969, concentrates its efforts in four principal areas: long-range planning, marketing, technical development and coordination, and management development. During the year, Dr. K. Wayne Smith, formerly of the staff of the U. S. National Security Council, joined this department to assume responsibility for reviewing, on a continuing basis, the operational plans of divisions as they relate to the future, and working with the divisions on programs for expansion and diversification.

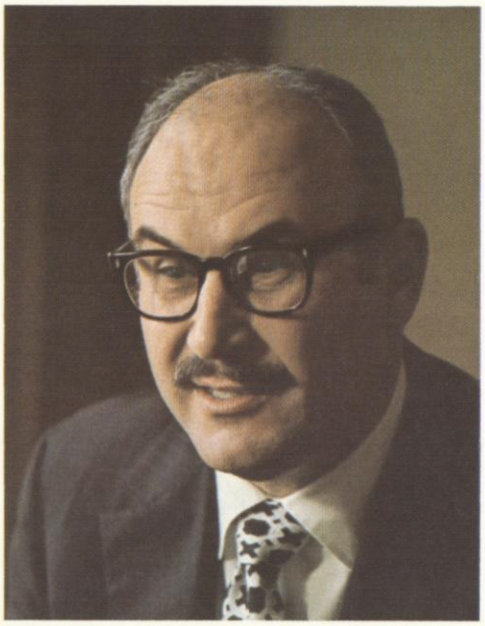
Another new member is Dr. Richard H. Brien, formerly Associate Dean of the Business School of the University of Houston. He will offer marketing consulting services and encourage the constant interchange of marketing concepts and analyses among the operating divisions.

Carl F. Massopust, formerly head of research and new product development for the Plastics Group, has moved to the Corporate Development Department. He will now assist in locating, evaluating and applying new technology to operations around the world and in the promotion of a constant interchange of technology among these operations.

Management development, the fourth area of responsibility, works closely with operating management to assure that people with management potential, wherever they may be, are properly and quickly recognized. Equally important, it assures that effective programs exist for the full development of their abilities, both for their personal advancement and gratification and the continued strengthening of the Company.

Another corporate staff function, Financial Analysis and Review, works closely with Corporate Development in providing staff support and is responsible for working with all divisions of the Company in analyzing and interpreting division performance


V. E. K. Borbiro


Lewis Rashmir

Rose Harper

for top management. Vincent R. Cucina, who had been assistant director for Financial Analysis and Review, was named Director.

**DART DIRECT MARKETING** This division is an example of a new venture presently under development at the corporate level. Originally functioning solely as a domestic compiler of mailing lists, it has been expanded through acquisition and internal development to the point where it now offers a fully integrated line of direct mail services—including list preparation (Market Compilation and Research Bureau), list brokerage (Lewis Kleid division), direct mail advertising and production services (Western Direct Mail Marketing) and the sale of products through the mail (Dart Direct Merchandising). During the year, the division entered the rapidly expanding European market with the addition of production and marketing facilities in Ireland and Brussels, Belgium, respectively.

Mrs. Rose Harper was elected president of Lewis Kleid division when its founder, Mr. Lewis Kleid, retired. Mrs. Harper had been executive vice president and identified with the firm from its inception.

## Corporate Staff

Vincent R. Cucina, *Director, Financial Analysis and Review*
Gerald C. Wiedman, *Director, Domestic Internal Audit*
V. E. K. Borbiro, *Assistant Treasurer and Assistant Controller*

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Lewis Rashmir, *President, Dart Direct Marketing Division*
Rose Harper, *President, Lewis Kleid Division*

# Board of Directors

Curtis Barkes, *Director and Chairman of the Finance Committee, UAL, Inc.*

Robert T. Beattie, *Vice President; Chairman and Chief Executive Officer, Rexall Group*

Russell K. Bolton, Jr., *Vice President and General Counsel*

Ernest R. Breech, *Industrialist; Director of Lehman Corporation and One William Street Fund, Inc.; formerly Chairman, Ford Motor Company; Honorary Chairman Emeritus, Trans World Airlines, Inc., and member of The Business Council*

Donald H. Brewer, *Senior Vice President and Assistant to the President*

*James R. Brown, *formerly President, The West Bend Company*

John C. Cornelius, *Director and Member of the Executive Committees of Investors Mutual, Inc., Investors Stock Fund Inc. and Affiliated Funds, Minneapolis; retired Executive Vice President, now Senior Consultant to BBD&O advertising agency; former President, The American Heritage Foundation*

George J. Daly, *Executive Vice President; Finance and Administration*

Justin Dart, *Chairman of the Board of Directors, President and Chief Executive Officer*

William T. Gossett, *Partner, Dykema, Gossett, Spencer, Goodnow & Trigg, Attorneys, Detroit, Michigan; Past President, American Bar Association; Director of One William Street Fund, Inc.; Chairman, Executive Committee, Twentieth Century-Fox Film Corporation*

Alfred M. Gruenther, *General, United States Army (Retired); Former President, American Red Cross; Director of Federated Department Stores, Inc., Pan American World Airways and New York Life Insurance Company, and member of The Business Council*

Joseph Hara, *President, Tupperware Home Parties Company*

Ralph M. Knight, *Vice President; President and Chief Executive Officer, Chemical Group*

Franklin B. Pollock, *Vice Chairman of the Board of Directors; Chairman, Glass Containers Group*

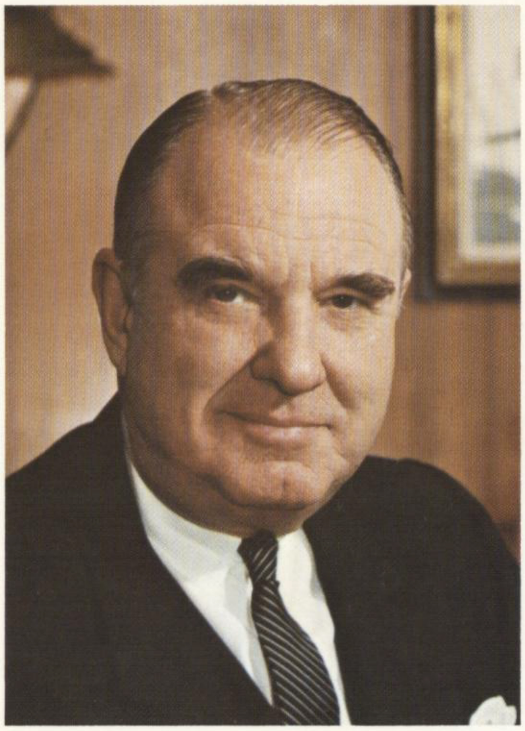
Stanley M. Rumbough, Jr., *President, Rumbough Company; Director of International Flavors and Fragrances, Inc., Bowmar Instrument, and other companies*

Holmes Tuttle, *President and Director of Holmes Tuttle Enterprises; Director of Trans World Airlines, Inc., Community Bank, Los Angeles and Challenge-Cook Bros., Inc., Los Angeles*

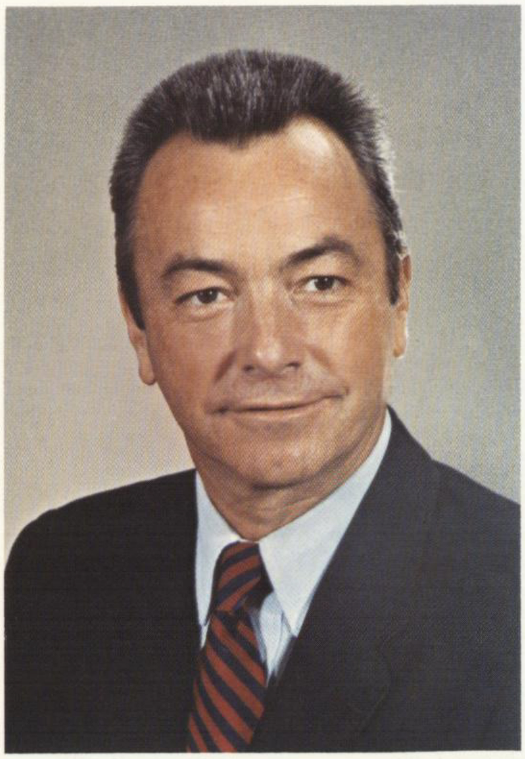
Hamer F. Wilson, *Executive Vice President; Chairman and Chief Executive Officer, Direct Selling Group*

**Ralph Wilson, Sr., *Chairman of the Plastics Group's Architectural Division*

R. D. Ziegler, *Vice President; President and Chief Executive Officer, Consumer Products Group*

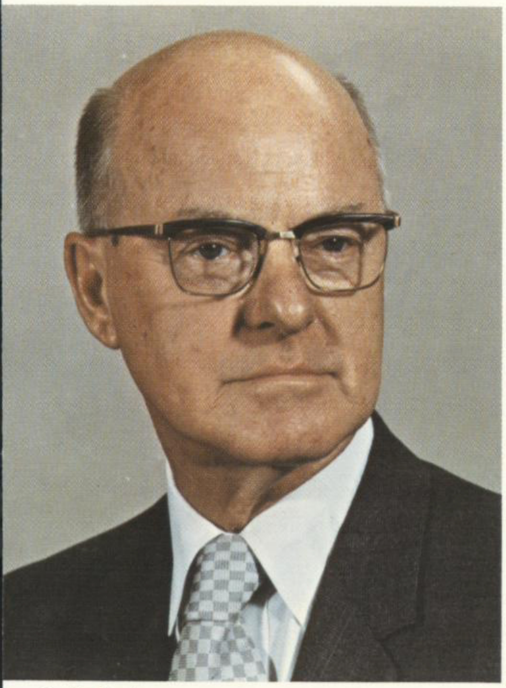


John C. Cornelius



Stanley M. Rumbough, Jr.

**Mr. Brown has retired and will not be a candidate for re-election to the Board of Directors in 1972.*



Curtis Barkes

Ralph Wilson, Sr.**

***As noted in the Letter to Stockholders, Ralph Wilson, Sr. died on January 31, 1972.*

Holmes Tuttle Ernest R. Breech Justin Dart Alfred M. Gruenther William T. Gossett

**EXECUTIVE COMMITTEE**

# Officers and Committees

**Executive Committee**
Justin Dart, *Chairman*
Ernest R. Breech
William T. Gossett
Alfred M. Gruenther
Holmes Tuttle
Dale Reis, *Secretary*

**Audit Committee**
Ernest R. Breech, *Chairman*
Alfred M. Gruenther
Holmes Tuttle

**Salary, Incentive Compensation and Stock Option Committee**
Ernest R. Breech, *Chairman*
Justin Dart
William T. Gossett
Alfred M. Gruenther

**Executive Personnel Committee**
Alfred M. Gruenther, *Chairman*
Ernest R. Breech
John C. Cornelius

**Honorary Directors**
Michael E. Kulik
F. Thatcher Lane
James E. Shelton
Mel M. Wilson

**Officers**
Justin Dart, *Chairman, President and Chief Executive Officer*
Franklin B. Pollock, *Vice Chairman*
George J. Daly, *Executive Vice President*
Hamer F. Wilson, *Executive Vice President*
Donald H. Brewer, *Senior Vice President and Assistant to the President*
Norbert Baillen, *Vice President*
Robert T. Beattie, *Vice President*
Russell K. Bolton, Jr., *Vice President and General Counsel*
William K. Brehm, *Vice President*
Gary G. Cowan, *Vice President*
Ralph M. Knight, *Vice President*
William R. Palmer, *Vice President and Controller*
Herschel A. Phillips, *Vice President*
R. D. Ziegler, *Vice President*
Thomas M. Mullen, *Treasurer*
Edgar Thedens, *Secretary*

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**Transfer Agents**
Morgan Guaranty Trust Company of New York, N.Y.
State Street Bank and Trust Company, Boston, Mass.
Bank of America National Trust and Savings Association, Los Angeles, Calif.

**Registrars**
The Chase Manhattan Bank, New York, N.Y.
The National Shawmut Bank of Boston, Boston, Mass.
United California Bank, Los Angeles, Calif.

**Independent Accountants**
Price Waterhouse & Co.

## Summary of Accounting Policies

**Basis of consolidation**—All significant subsidiaries are consolidated except for a finance subsidiary formed late in 1971 which is carried on the equity basis of accounting. All significant intercompany transactions are eliminated.

Accounts of foreign subsidiaries are translated into United States dollar equivalents at appropriate yearend exchange rates except for property accounts and related items for which historical exchange rates are used. Net translation losses are charged to operations. The net gain on foreign currency translations and revaluations of foreign currencies in relation to the United States dollar ($1,200,000) has been deferred at December 31, 1971.

Dart is a 50% owner of a plastics processing corporation and a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. The accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

**Inventories**—Inventories used in determining cost of goods sold are stated at the lower of cost or market after eliminating intercompany profits. In general, cost as applied to inventory valuation represents current purchase or manufacturing cost applied on the first-in, first-out method for finished goods and average cost for other inventories.

Obsolete and damaged merchandise is excluded.

**Depreciation, amortization, accounting for maintenance, etc.**—Depreciation of property, plant and equipment is provided on a consistent basis based on the estimated average useful life of the various assets, applied chiefly on a straight line basis excluding fully depreciated assets.

Lives used for calculating depreciation rates for the principal asset classifications are as follows: buildings and improvements—10 to 50 years; machinery and equipment—3 to 18 years; leasehold improvements—10 to 14 years or period of the lease.

Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Expenditures for additions, improvements, replacements, betterments and major renewals are added to the property, plant and equipment accounts. Expenditures for rebuilding furnaces and for repairs to related equipment are capitalized as incurred either as inventory, in the case of materials purchased for such repairs pending their use, or as fixed assets which are depreciated over their estimated service lives.

Plant assets retired, or otherwise disposed of, are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts. Gains and losses from disposals are included in earnings.

Intangibles having a limited life are amortized over their estimated useful lives. Certain intangibles acquired prior to October 31, 1970 are considered to have an unlimited life and are not being amortized.

Expenditures for research and development are charged to earnings as incurred.

**Income taxes**—Declining balance and guideline depreciation and the instalment method of income recognition for sales of property generally are used in the determination of income for tax purposes where applicable.

Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between book and tax income.

Investment tax credits are accounted for on the flow-through basis.

Income taxes which may be incurred upon distribution of earnings of subsidiaries are provided when the distributions are made.

**Land development**—Sales of property are recognized at the close of escrow in which at least 10% of the sales price has been received in cash. The balance of the sales price is evidenced by a note secured by a deed of trust payable generally in periodic instalments for periods up to ten years. The notes bear interest at rates which usually vary from 8¾% to 8¼% depending upon the amount of the customer's down payment.

In accordance with the provisions of Accounting Principles Board Opinion 21, additional interest was imputed relative to property sales made after September 30, 1971. The amount of the charge for additional interest was not material.

Cost of land and related improvements are charged to operations generally based on the relative sales value of the parcel to the estimated sales value of the project.

Interest and property taxes related to land held for development and sale are charged to earnings as incurred.

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## Opinion of Independent Accountants

PRICE WATERHOUSE & CO.

606 South Olive Street
Los Angeles 90014
February 28, 1972

To the Board of Directors and
Stockholders of Dart Industries Inc.

In our opinion, the accompanying statements on pages 33 to 43 present fairly the financial position of Dart Industries Inc. and consolidated subsidiaries at December 31, 1971 and 1970, and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

# Statement of Earnings and Retained Earnings

| *For the Years Ended December 31, 1971 and 1970* | *1971* | *1970 (restated)* |
|---|---|---|
| **Income:** | | |
| Net sales | $808,864,000 | $706,256,000 |
| Other income | 8,869,000 | 8,051,000 |
| | 817,733,000 | 714,307,000 |
| **Costs and Expenses:** | | |
| Cost of goods sold and operating expenses | 470,001,000 | 414,921,000 |
| Selling, distribution and administrative expenses | 213,268,000 | 182,077,000 |
| Depreciation and amortization | 31,390,000 | 27,740,000 |
| Interest expense | 9,920,000 | 9,631,000 |
| Provision for income taxes— | | |
| Payable currently | 34,300,000 | 37,900,000 |
| Tax effect of timing differences | 11,200,000 | 1,900,000 |
| | 770,079,000 | 674,169,000 |
| **Earnings Before Extraordinary Items** | 47,654,000 | 40,138,000 |
| Extraordinary items, net of applicable income taxes | | 52,445,000 |
| **Net Earnings** | 47,654,000 | 92,583,000 |
| Retained earnings at beginning of year | 235,972,000 | 180,200,000 |
| | 283,626,000 | 272,783,000 |
| **Dividends:** | | |
| Cash— | | |
| Dart Industries Inc. | | |
| Preferred—$2 per share | 5,919,000 | 5,920,000 |
| Common—$.30 per share | 5,536,000 | 5,273,000 |
| Pooled companies, prior to merger or acquisition | | 179,000 |
| Common Stock, 3%, 539,900 shares at $30.50 per share paid in March 1971 and 513,900 shares at $49.50 paid in March 1970 | 16,468,000 | 25,439,000 |
| | 27,923,000 | 36,811,000 |
| **Retained Earnings at End of Year** | $255,703,000 | $235,972,000 |
| **Earnings per Share of Common Stock:** | | |
| **Including Common Stock Equivalents—** | | |
| Before extraordinary items | $ 2.23 | $ 1.84 |
| Extraordinary items | | 2.83 |
| Net earnings | $ 2.23 | $ 4.67 |
| **Fully Diluted—** | | |
| Before extraordinary items | $ 2.18 | $ 1.83 |
| Net earnings | $ 2.18 | $ 4.26 |

*See accompanying notes to financial statements and summary of accounting policies.*

# Balance Sheet *December 31, 1971 and 1970*

**Assets**

| | *1971* | *1970 (restated)* |
|---|---|---|
| Current assets: | | |
| Cash | $ 29,603,000 | $ 30,442,000 |
| Short term securities, at cost which approximates market | 50,132,000 | 2,345,000 |
| Accounts and notes receivable | 114,193,000 | 111,413,000 |
| Inventories | 159,505,000 | 156,814,000 |
| Prepaid expenses | 6,881,000 | 6,683,000 |
| Deferred future income tax benefits | 5,400,000 | 7,100,000 |
| Total current assets | 365,714,000 | 314,797,000 |
| Land development assets | 84,754,000 | 25,691,000 |
| Properties: | | |
| Properties owned | 272,614,000 | 258,724,000 |
| Properties leased from others | 18,953,000 | 19,273,000 |
| Total properties | 291,567,000 | 277,997,000 |
| Investments and other assets: | | |
| Investment in 3M Company common stock (market value at December 31, 1971—$100,745,000) | 61,961,000 | 98,335,000 |
| Equity in unconsolidated finance subsidiary | 3,465,000 | |
| Other assets, receivables and investments | 11,241,000 | 10,876,000 |
| Intangibles | 14,878,000 | 12,719,000 |
| Total investments and other assets | 91,545,000 | 121,930,000 |
| Total assets | $833,580,000 | $740,415,000 |

*See accompanying notes to financial statements and summary of accounting policies.*

**Liabilities and Stockholders' Equity**

| | *1971* | *1970 (restated)* |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ 40,289,000 | $ 38,904,000 |
| Accrued compensation | 21,259,000 | 20,607,000 |
| Other accrued expenses | 45,046,000 | 38,655,000 |
| Short term commercial paper | | 35,100,000 |
| Short term loans, foreign | 3,088,000 | 5,412,000 |
| Current instalments of discounted rental obligations | 988,000 | 939,000 |
| Current instalments of long term debt | 5,709,000 | 5,713.000 |
| Income taxes | 7,000,000 | 21,200,000 |
| Total current liabilities | 123,379,000 | 166.530,000 |
| Land development liabilities | 49,682,000 | 7,210,000 |
| Discounted rental obligations, less current instalments | 20,675,000 | 20,699,000 |
| Long term debt, less current instalments | 129,655,000 | 75,298,000 |
| Deferred income taxes | 42,800,000 | 41,600,000 |
| Stockholders' equity: | | |
| Preferred Stock | 14,961,000 | 14,961,000 |
| Common Stock | 23,318,000 | 22,504,000 |
| Capital in excess of par value | 175,058,000 | 157,292,000 |
| Retained earnings* | 255,703,000 | 235,972,000 |
| | 469,040,000 | 430,729,000 |
| Less cost of reacquired shares of capital stock; Preferred—32,500, Common—5,500 | 1,651,000 | 1,651,000 |
| Total stockholders' equity | 467,389,000 | 429,078,000 |
| Total liabilities and stockholders' equity | $833,580,000 | $740,415,000 |

**Of the 1971 retained earnings, $23,238,000 is reserved for a 3% Common Stock dividend of 560,000 shares payable March 9, 1972.*

# Statement of Capital Stock

| *For the Years Ended December 31, 1971 and 1970* | *1971* | | *1970 (restated)* | |
|---|---|---|---|---|
| | *Shares issued* | *Amount* | *Shares issued* | *Amount* |
| **Preferred, $5.00 Par Value**<br>Authorized, 3,000,000 shares<br>Series A $2 Cumulative Convertible (aggregate liquidating preference in 1971—$149,610,000) | | | | |
| **At Beginning of Year** | 2,992,300 | $14,961,000 | 2,988,800 | $14,944,000 |
| Upon exercise of options | | | 3,500 | 17,000 |
| Upon conversion into Common Stock | (100) | | | |
| **At End of Year, Including Reacquired Shares** | 2,992,200 | $14,961,000 | 2,992,300 | $14,961,000 |
| **Common, $1.25 Par Value**<br>Authorized, 35,000,000 shares | | | | |
| **At Beginning of Year** | 18,002,600 | $22,504,000 | 17,421,800 | $21,778,000 |
| For stock dividend | 539,900 | 675,000 | 513,900 | 642,000 |
| Upon exercise of options | 94,300 | 118,000 | 66,900 | 84,000 |
| Additional shares issued in connection with a 1970 pooling | 17,300 | 21,000 | | |
| Upon conversion of Preferred Stock | 100 | | | |
| **At End of Year, Including Reacquired Shares** | 18,654,200 | $23,318,000 | 18,002,600 | $22,504,000 |

# Statement of Capital in Excess of Par Value

| *For the Years Ended December 31, 1971 and 1970* | *1971* | *1970 (restated)* |
|---|---|---|
| **At Beginning of Year** | $157,292,000 | $131,348,000 |
| Excess of fair value over par value of Common Stock issued as stock dividend | 15,793,000 | 24,797,000 |
| Costs and expenses of mergers | | (60,000) |
| Additional shares of Common Stock issued in connection with a 1970 pooling | (21,000) | |
| Other credits, principally the excess of option prices over par value of stock options exercised | 1,994,000 | 1,207,000 |
| **At End of Year** | $175,058,000 | $157,292,000 |

*See accompanying notes to financial statements and summary of accounting policies.*

# Statement of Changes in Financial Position

| *For the Years Ended December 31, 1971 and 1970* | *1971* | *1970 (restated)* |
|---|---|---|
| **Source:** | | |
| Net earnings for the year (including extraordinary items of $52,445,000 in 1970) | $ 47,654,000 | $ 92,583,000 |
| Depreciation and amortization | 31,390,000 | 27,740,000 |
| Provision for deferred income taxes | 9,500,000 | 19,301,000 |
| Provided by operations | 88,544,000 | 139,624,000 |
| Issuance of 7½% Sinking Fund Debentures | 59,700,000 | |
| Other increase in long term debt | 481,000 | 4,185,000 |
| Sale of 3M Company common stock | 36,374,000 | 31,465,000 |
| Sale of properties and investments, excluding gain | 847,000 | 21,241,000 |
| Sale of notes receivable to unconsolidated finance subsidiary | 9,452,000 | |
| Increase in discounted rental obligations | 1,000,000 | |
| Exercise of stock options | 2,150,000 | 1,307,000 |
| Other | 152,000 | 2,038,000 |
| **Total Working Capital Provided** | 198,700,000 | 199,860,000 |
| **Application:** | | |
| Properties and other assets purchased | 46,873,000 | 58,271,000 |
| Properties leased from others | 1,000,000 | |
| Investment in 3M Company common stock | | 129,805,000 |
| Equity in unconsolidated finance subsidiary | 3,465,000 | |
| Cash dividends paid by Dart— Preferred Stock | 5,919,000 | 5,920,000 |
| Common Stock | 5,536,000 | 5,273,000 |
| Investment in land development | 34,343,000 | 14,638,000 |
| Decrease in long term debt | 5,836,000 | 6,619,000 |
| Discounted rental obligations | 1,024,000 | 939,000 |
| Other | 636,000 | 369,000 |
| **Total Working Capital Applied** | 104,632,000 | 221,834,000 |
| Working capital increase (decrease) (see components in note) | $ 94,068,000 | $ (21,974,000) |

*See accompanying notes to financial statements and summary of accounting policies.*

# Notes to Financial Statements

| **Details of Balance Sheet** | *1971* | *1970* |
|---|---|---|
| Accounts and notes receivable: | | |
| Trade | $115,808,000 | $112,385,000 |
| Other | 6,728,000 | 5,955,000 |
| | 122,536,000 | 118,340,000 |
| Less reserve | 8,343,000 | 6,927,000 |
| | $114,193,000 | $111,413,000 |
| Inventories: | | |
| Raw materials and supplies | $ 42,780,000 | $ 46,020,000 |
| Work in process | 12,522,000 | 11,839,000 |
| Finished goods | 104,203,000 | 98,955,000 |
| | $159,505,000 | $156,814,000 |
| Properties owned, at cost: | | |
| Land | $ 8,005,000 | $ 7,721,000 |
| Buildings and improvements | 119,957,000 | 109,908,000 |
| Machinery and equipment | 294,707,000 | 270,358,000 |
| Leasehold improvements | 7,760,000 | 8,005,000 |
| Construction in progress | 14,172,000 | 16,485,000 |
| | 444,601,000 | 412,477,000 |
| Less accumulated depreciation | 171,987,000 | 153,753,000 |
| | $272,614,000 | $258,724,000 |
| Intangibles, at cost less amortization: | | |
| Excess of investments in businesses purchased over net assets acquired | $ 13,731,000 | $ 11,470,000 |
| Patents, licenses, trademarks, etc. | 1,147,000 | 1,249,000 |
| | $ 14,878,000 | $ 12,719,000 |
| Long term debt, less current instalments: | | |
| 7½ % Sinking Fund Debentures, due April 1, 1996, $60,000,000, less unamortized discount of $288,000 | $ 59,712,000 | |
| Unsecured notes, 4.042% to 5.75%, due in annual instalments to 1987 | 63,527,000 | $ 68,521,000 |
| Other | 6,416,000 | 6,777,000 |
| | $129,655,000 | $ 75,298,000 |

**Business combinations** On January 8, 1971 Capital Controls Company, Inc. was merged into Dart in exchange for 182,000 newly issued shares of Dart Common Stock. Capital, with 1970 sales and net earnings of $2,952,000 and $425,000, respectively, manufactures a line of water chlorinators and other water pollution control equipment. This transaction was accounted for as a pooling of interests and accordingly the accompanying consolidated statements include the accounts of this business as of December 31, 1971 and for the year then ended. Comparative 1970 amounts have been restated to include the accounts of this business.

Under the terms of a 1970 acquisition agreement, 17,300 additional shares of Dart Common Stock were issued during 1971; a maximum of 13,600 more shares may be required to be issued by no later than 1973. Certain other businesses were acquired for cash and such acquisitions were accounted for as purchases. The operations of purchased businesses have been included in Dart's financial statements from the dates of their acquisition. Purchased businesses, considered as a whole, were not significant. An additional $729,000 was paid in 1971 based on earnings of a business purchased in 1969.

**Foreign operations** A summary of amounts related to foreign subsidiaries at December 31 (excluding intercompany accounts) follows:

| | *1971* | *1970* |
|---|---|---|
| Current assets | $66,452,000 | $52,978,000 |
| Properties | 32,431,000 | 29,188,000 |
| Investments and other assets | 3,567,000 | 3,946,000 |
| Total assets | 102,450,000 | 86,112,000 |
| Current liabilities | 28,925,000 | 23,214,000 |
| Long term debt, less current instalments, and deferred income taxes | 4,607,000 | 4,719,000 |
| Total liabilities | 33,532,000 | 27,933,000 |
| Net assets of foreign subsidiaries in consolidation | $68,918,000 | $58,179,000 |

Net sales from all operations outside the United States were $123,376,000 in 1971 and $93,960,000 in 1970. Undistributed earnings of foreign subsidiaries included in consolidation were $7,571,000 for 1971 and $2,302,000 for 1970 and aggregated $41,872,000 at December 31, 1971. Dividends of $983,000 in 1971 and $3,060,000 in 1970 were received from foreign subsidiaries.

**Land development accounts** A summary of accounts related to land development operations at December 31 (excluding intercompany accounts) follows:

| | 1971 | 1970 |
|---|---|---|
| Land development assets: | | |
| Cash, prepaid expenses, etc. | $ 1,463,000 | $ 1,445,000 |
| Notes receivable, principally 8¾% and 8¼%, less reserves of $1,455,000 and $350,000 (including $1,920,000 and $980,000 due in one year) | 25,952,000 | 11,838,000 |
| Land and improvements held for development and sale | 50,412,000 | 12,177,000 |
| Properties and other assets | 6,927,000 | 231,000 |
| | $84,754,000 | $25,691,000 |
| Land development liabilities: | | |
| Accounts payable and accrued costs and expenses | $32,624,000 | $ 3,332,000 |
| Notes payable on land obligations, 6% to 8% (including $732,000 and $497,000 due in one year) | 7,358,000 | 2,478,000 |
| Deferred income taxes | 9,700,000 | 1,400,000 |
| | $49,682,000 | $ 7,210,000 |

Dart's 1970 financial statements include certain reclassifications to conform with the 1971 statement presentation of land development accounts.

**Properties leased from others** Dart has recorded as assets the cost of certain properties leased from others. The related discounted lease obligations are set forth separately in the accompanying balance sheet. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

These lease obligations are payable approximately $2,000,000 annually until 1977, then decreasing and continuing at lesser amounts thereafter to 1993. Rentals payable under other leases are shown in a following Note.

**Unconsolidated finance subsidiary** In late 1971 Dart formed a wholly-owned subsidiary, Dart Industries Credit Corp. (DICC), to finance certain receivables generated by operations of Dart. The investment in DICC is carried at Dart's cost plus DICC's retained earnings. The finance subsidiary commenced business with the exchange of $9,452,000 of long term interest bearing notes receivable for all its common stock and a $6,000,000 payable to Dart.

As of December 1, 1971, DICC executed an Agreement with six banks for a $65 million five year line of credit with certain renewal options. Interest on borrowings is payable quarterly at ½ of 1% above the prime rate of interest charged by the lead bank. Borrowings of DICC are not guaranteed by Dart but receivables are purchased from Dart on a basis to yield earnings of at least 150% of DICC's fixed charges.

The balance sheet of DICC at December 31, 1971 follows:

| | |
|---|---|
| Assets | |
| Cash | $ 167,000 |
| Notes receivable, principally 8¼%, including $695,000 due in one year | 9,384,000 |
| Accrued interest receivable | 63,000 |
| Other assets | 16,000 |
| Total assets | $9,630,000 |
| Liabilities and Stockholder's Equity | |
| Liabilities: | |
| Payable to Dart | $ 105,000 |
| Other accrued expenses | 12,000 |
| Deferred interest income | 18,000 |
| Income taxes | 30,000 |
| Long term bank debt | 6,000,000 |
| Total liabilities | 6,165,000 |
| Stockholder's equity: | |
| Common stock, $100 par value Authorized and outstanding, 1,000 shares | 100,000 |
| Capital in excess of par value | 3,352,000 |
| Retained earnings from commencement of operations through December 31, 1971 | 13,000 |
| Total stockholder's equity | 3,465,000 |
| Total liabilities and stockholder's equity | $9,630,000 |

**Income taxes** Income taxes charged to earnings were comprised of the following:

| | 1971 | 1970 |
|---|---|---|
| Federal | $34,560,000 | $31,500,000 |
| Foreign | 7,970,000 | 5,660,000 |
| State | 3,500,000 | 2,715,000 |
| Investment tax credits | (530,000) | (75,000) |
| | $45,500,000 | $39,800,000 |

**Long term debt** Total principal payments due in the five years subsequent to December 31, 1971 on long term debt are as follows: 1972—$5,709,000; 1973—$5,470,000; 1974—$5,428,000; 1975—$8,916,000; 1976—$5,633,000.

Under loan agreements with certain banks and insurance companies, $151,000,000 of the consolidated retained earnings at December 31, 1971 is not restricted as to payment of cash dividends. The agreements impose no restrictions on payment of stock dividends.

On April 7, 1971 Dart issued $58,500,000 principal amount of 7½ % Sinking Fund Debentures, due April 1, 1996, and an additional $1,500,000 principal amount was issued on October 1, 1971. On April 16, 1971 Dart terminated an arrangement for a $100 million revolving line of bank credit which had been executed in August 1970.

**Preferred Stock** Holders of the Series A $2 Cumulative Convertible Preferred Stock are entitled to receive $2 per share annual cash dividends, to one vote per share and, upon any voluntary liquidation, dissolution or winding up, to receive $50 per share plus accrued unpaid dividends. Each share of the Preferred Stock is convertible by the holder into Common Stock on a share for share basis appropriately adjusted for stock dividends in excess of 3% or for recapitalization. The Preferred Stock may be called for redemption at $55 per share plus accrued unpaid dividends.

**Stock options** 1,169,900 shares of Dart Common Stock are reserved for purchase by officers and employees under stockholder approved stock option plans. Options for 959,200 shares were exercised prior to 1971. Options granted after March 1971 under Dart's new 1971 Stock Option Plan include qualified and non-qualified options relating to identical shares which are granted in tandem and which, upon exercise of all or any part of either of such options, result in a proportionate reduction in the number of shares available under the other option.

Under the 1971 Plan, Dart offered holders of qualified options granted in 1969 and 1970 under the previous plan at prices of $46.305, $45.834 and $45.995 per share, after adjustments for subsequent 3% stock dividends, the choice of retaining said existing outstanding options or accepting new non-qualified options, exercisable over a ten year period, for the identical shares at $40.125 per share. Holders of qualified options totaling 2,000 shares have refused such offer. All remaining holders have accepted the new non-qualified options relating to 147,800 shares and have thereby relinquished their rights under the qualified options relating to such shares, which qualified options, however, have not been legally canceled. Until such time as a qualified option either expires, is canceled or is exercised in its entirety, the holder thereof may not exercise any instalment of a qualified option granted subsequently at a lower price.

A summary of changes during 1971 follows:

| | *Options outstanding* | |
|---|---|---|
| | *Shares* | *Amount* |
| At beginning of year | 956,800 | $30,713,000 |
| Adjustment for stock dividend | 28,800 | |
| Options granted | 369,800 | 14,869,000 |
| Options exercised | (94,300) | (2,150,000) |
| Options canceled | (220,900) | (9,381,000) |
| At end of year | 1,040,200 | $34,051,000 |

At December 31, 1971 options for 197,100 shares of Common Stock were exercisable and 129,700 shares of Common Stock were available for granting.

**Commitments and contingencies** Minimum annual lease rentals payable, including $11,903,000 related to transportation and other short-life equipment, and sublease rentals receivable by Dart under other leases and subleases in effect at December 31, 1971 are as follows:

| | *Minimum annual rentals* | |
|---|---|---|
| | *Payable* | *Receivable* |
| Leases expiring in 1972 — 1976 | $16,130,000 | $1,051,000 |
| 1977 — 1981 | 2,216,000 | 473,000 |
| 1982 — 1986 | 1,976,000 | 220,000 |
| 1987 — 1991 | 588,000 | 34,000 |
| after 1991 | 336,000 | |
| | $21,246,000 | $1,778,000 |

Some leases provide for rentals based upon a percentage of sales and many require additional payments for property taxes, insurance and maintenance. Provision has been made for estimated losses on properties no longer operated. Some of the leases entered into prior to 1965 contain purchase options. Information concerning certain capitalized leases is contained in a preceding Note.

Certain lawsuits have been filed against Dart. In the opinion of counsel, it seems unlikely that any damages ultimately recovered would have a materially adverse effect on Dart's financial position or results of operations.

**Capital expenditures** It is estimated that capital expenditures for 1972 will be approximately $60,000,000.

**Retirement plans** Dart and certain of its United States subsidiaries continued the contributory profit sharing retirement plan, the principal retirement plan, established in 1955 covering salaried employees with one or more years of employment with Dart. The aggregate Dart contribution in any year is based upon consolidated earnings before federal income taxes, is limited to six percent of the consolidated earnings as defined and cannot exceed the amount deductible for federal income tax purposes. The computations include net earnings of certain divisions whose employees do not participate in the Dart plan, but who participate in previously existing retirement plans which have been continued in effect. The contribution to be made under the Dart profit sharing plan amounted to $3,565,000 for 1971 and totaled $2,935,000 for 1970.

Dart and its subsidiaries have several pension plans covering substantially all of their employees not covered by Dart's profit sharing retirement plan, including certain employees in foreign countries. The total pension expense was $3,095,000 for 1971 and $2,658,000 for 1970 which includes, as applicable, amortization of prior service cost principally over a period of 40 years. Dart's policy is, generally, to contribute the pension cost accrued for funded plans and to create accounting reserves for unfunded plans. The actuarially computed value of vested benefits for all plans exceeded, as of December 31, 1971, the total of the pension funds and accruals by about $6,500,000.

**Incentive compensation** Under the formula incorporated in Dart's 1962 stockholder approved Incentive Compensation Plan for principal officers and key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 77 principal officers and key employees $1,094,000 ($712,000 for 1970) of the total of $2,856,000 available for 1971. No outside director participates in this plan.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Dart and certain special awards have been authorized for employees not participating in any plan. No principal officer or director participates in these plans or special awards. The above named committees awarded $3,920,000 ($3,322,000 for 1970) to 822 persons in these categories. The total amount available under the plans and inclusive of special awards was $6,115,000.

Excess amounts available but not awarded under all plans are not available for future awards and have been included in consolidated earnings.

**Earnings per share of Common Stock** Earnings per share of Common Stock and Common Stock equivalents are based on the weighted average number of shares of Common Stock outstanding during each period increased by the effect of dilutive stock options granted after May 31, 1969. Such increased average shares were 18,737,900 for 1971 and 18,550,400 for 1970. Net earnings attributable to Common Stock is after deducting Preferred dividend requirements.

Fully diluted earnings per share of Common Stock are based on the weighted average number of shares of Common Stock outstanding during each period, assumption of conversion of Series A $2 Cumulative Convertible Preferred Stock retroactive to the beginning of each year and assumption of exercise of all dilutive stock options retroactive to the beginning of each year, or later dates of grant, and purchase of treasury stock with the proceeds at the higher of yearend or average market prices. Such increased average shares were 21,900,100 for 1971 and 21,736,700 for 1970.

All per share amounts give retroactive effect to stock dividends paid.

**Extraordinary items — 1970** The net extraordinary gain in 1970, totaling $52,445,000, consisted of the following items: gain on sale of Riker ethical drug business to Minnesota Mining and Manufacturing Company (3M), less $35,842,000 income taxes—$54,763,000; provision for estimated earthquake losses at the Saugus, California glass container manufacturing plant, less $2,337,000 income tax benefits—$2,318,000.

At December 31, 1971, 746,256 shares of the 3M stock received in the sale of the ethical drug business still were owned. These shares are carried at the value established by independent appraisal to recognize the restrictions on their sale (which expired in January 1972).

**Changes in components of working capital**

| | *1971* | *1970* |
|---|---|---|
| Increase (decrease) in current assets: | | |
| Cash and short term securities | $46,948,000 | $ (991,000) |
| Accounts and notes receivable | 2,780,000 | 1,813,000 |
| Inventories | 2,691,000 | 11,526,000 |
| Other current assets | (1,502,000) | 3,377,000 |
| | 50,917,000 | 15,725,000 |
| Less increase (decrease) in current liabilities: | | |
| Accounts payable | 1,385,000 | (9,105,000) |
| Accrued expenses | 7,043,000 | 5,033,000 |
| Short term commercial paper | (35,100,000) | 35,100,000 |
| Short term loans, foreign | (2,324,000) | 4,077,000 |
| Income taxes | (14,200,000) | 3,344,000 |
| Other current liabilities | 45,000 | (750,000) |
| | (43,151,000) | 37,699,000 |
| Working capital increase (decrease) | $94,068,000 | $ (21,974,000) |

DART INDUSTRIES INC. AND CONSOLIDATED SUBSIDIARIES

# Ten Year Financial Review

*(Dollar amounts in thousands except per share data; stock information relates to Common Stock, unless otherwise indicated)*

| **For the Year** | 1971 | 1970† |
|---|---|---|
| Operations—excluding Riker after 1965 | | |
| Net sales | 808,864 | 706,256 |
| Earnings before income taxes | 93,154 | 79,938 |
| Income taxes | 45,500 | 39,800 |
| Earnings before extraordinary items | 47,654 | 40,138 |
| Extraordinary items | | 52,445 |
| Preferred dividend requirements* | 5,919 | 5,920 |
| Net earnings applicable to Common Stock after Preferred dividend requirements | 41,735 | 86,663 |
| Per share of Common Stock | | |
| Earnings before extraordinary items | 2.23 | 1.84 |
| Net earnings | 2.23 | 4.67 |
| Cash dividends | .30 | .30 |
| Stock dividends | 3% | 3% |
| Cash dividends paid | | |
| Common Stock | 5,536 | 5,273 |
| Preferred Stock | 5,919 | 5,920 |
| Properties and other assets purchased — after 1966 | 46,873 | 58,271 |
| Depreciation and amortization | 31,390 | 27,740 |
| Cash flow** | 88,544 | 139,624 |
| Cash flow per share | 4.73 | 7.53 |
| **At Yearend** - | | |
| Working capital | 242,335 | 148,267 |
| Properties owned (net) | 272,614 | 258,724 |
| Total assets | 833,580 | 740,415 |
| Long term debt | 129,655 | 75,298 |
| Deferred income taxes | 52,500 | 43,000 |
| Stockholders' equity | 467,389 | 429,078 |
| Shares of stock outstanding | | |
| Common | 18,648,700 | 18,537,000 |
| Preferred (pro forma prior to 1966) | 2,959,700 | 2,959,800 |
| Stockholders | | |
| Common | 34,208 | 35,507 |
| Preferred (pro forma prior to 1966) | 5,856 | 6,030 |
| Employees (including Riker prior to 1970) | 27,408 | 26,894 |

*†Amounts for 1970 have been restated for a merger accounted for as a pooling of interests in 1971.*

**Pro forma for years prior to issuance of stock in mergers.*

***Net earnings, plus depreciation and amortization and provision for deferred income taxes.*

| 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 |
|---|---|---|---|---|---|---|---|
| 666,543 | 602,250 | 566,883 | 527,315 | 526,773 | 446,654 | 401,424 | 334,909 |
| 83,523 | 63,659 | 54,602 | 44,317 | 65,816 | 49,995 | 39,362 | 20,653 |
| 42,804 | 31,611 | 23,527 | 17,596 | 28,420 | 22,027 | 19,658 | 11,434 |
| 45,009 | 37,116 | 35,405 | 30,635 | 37,396 | 27,968 | 19,704 | 9,219 |
|  | 294 |  |  |  | 1,845 |  | (1,650) |
| 5,910 | 5,945 | 5,914 | 5,859 | 5,897 | 5,466 | 5,393 | 4,707 |
| 39,099 | 31,465 | 29,491 | 24,776 | 31,499 | 24,347 | 14,311 | 2,862 |
| 2.15 | 1.76 | 1.69 | 1.43 | 1.83 | 1.38 | .89 | .34 |
| 2.15 | 1.77 | 1.69 | 1.43 | 1.83 | 1.49 | .89 | .21 |
| .30 | .30 | .30 | .30 | .30 | .26¼ | .25 | .25 |
| 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| 5,036 | 4,341 | 3,929 | 3,670 | 3,095 | 2,528 | 2,318 | 2,247 |
| 5,910 | 5,655 | 5,334 | 2,640 |  |  |  |  |
| 65,122 | 35,097 | 42,497 |  |  |  |  |  |
| 25,446 | 23,627 | 22,196 | 20,106 | 16,851 | 14,270 | 12,585 | 9,698 |
| 75,655 | 65,108 | 60,621 | 55,028 | 56,185 | 44,609 | 36,395 | 21,706 |
| 4.17 | 3.67 | 3.47 | 3.18 | 3.26 | 2.74 | 2.26 | 1.61 |
|  |  |  |  |  |  |  |  |
| 170,687 | 174,439 | 153,225 | 144,463 | 141,662 | 133,293 | 124,128 | 96,257 |
| 241,460 | 207,735 | 197,365 | 181,616 | 164,927 | 122,043 | 104,501 | 84,783 |
| 603,596 | 536,079 | 495,024 | 456,025 | 418,934 | 355,331 | 317,356 | 261,308 |
| 78,551 | 82,375 | 84,702 | 88,188 | 89,255 | 81,607 | 84,276 | 74,554 |
| 23,852 | 19,900 | 17,300 | 15,742 | 12,640 | 11,112 | 10,777 | 6,452 |
| 345,894 | 306,902 | 276,597 | 250,569 | 230,231 | 187,957 | 162,735 | 129,214 |
| 18,280,400 | 17,856,800 | 17,539,000 | 17,336,200 | 17,354,800 | 16,314,800 | 16,096,400 | 13,463,600 |
| 2,956,300 | 2,976,800 | 2,957,400 | 2,930,300 | 2,961,400 | 2,734,300 | 2,699,700 | 2,353,600 |
| 34,396 | 35,144 | 33,903 | 32,370 | 26,769 | 23,262 | 22,217 | 21,948 |
| 5,934 | 5,947 | 5,204 | 4,691 | 4,770 | 4,450 | 4,878 | 5,207 |
| 29,381 | 28,106 | 27,699 | 28,346 | 25,488 | 20,889 | 19,400 | 16,862 |

*Net earnings per share for years after 1968 are based upon the weighted average number of shares of Common Stock outstanding during the year increased by the effect of dilutive stock options granted after May 31, 1969. Net earnings per share for years prior to 1969 are based upon the weighted average number of shares of Common Stock outstanding. The shares of Common Stock outstanding and net earnings per share for 1970 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.*

*Fully diluted earnings per share of Common Stock outstanding were $2.18 for 1971, $4.26 for 1970, $2.08 for 1969 and $1.73 for 1968.*

# Dart Industries Inc.
# Companies and Products

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## Direct Selling Group Headquarters — Orlando, Florida

TUPPERWARE DIVISION *Food preparation, storage and serving containers; toys*
VANDA BEAUTY COUNSELOR DIVISION *Cosmetics and toiletries*

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## Consumer Products Group Headquarters — West Bend, Wis.

WEST BEND DIVISION
  The West Bend Company — West Bend of Canada Ltd. — *Cookware, electric housewares, humidifiers, electronic air cleaners and personal care items*
  Coppercraft Guild — *Copper giftware*
  Thermo-Serv — *Insulated and non-insulated serving ware, vacuum products*
  Nappe-Smith Company — *Insulated bags and thermal containers*
HOME FURNISHINGS DIVISION
  Syroco — Syroco Canada Ltd. — *Decorative accessories, tables*
  Babcock-Phillips — *Hassocks, cushions, pillows*
  Reliable Manufacturing — *Picture frames, paintings*

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## Dart Properties Group Headquarters — Los Angeles, California

  Lakeworld — *Land development and marketing*
  American Building Systems — *Home construction*

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## Chemical Group Headquarters — Los Angeles, California

POLYMER ACTIVITIES
  Rexene Polymers Company — *Polyethylene, polypropylene and olefins (joint venture with El Paso Products Company)*
    *Styrenics — Polystyrene, ABS*
  C T Film — *Packaging film (jointly owned with El Paso Products Company)*
  Southwest Latex Co. — *Styrene-butadiene latices*

CHEMICAL SPECIALTIES ACTIVITIES
  Aztec Chemicals — *Organic peroxides and peresters*
  Capital Controls Co. — *Chlorinators, control systems for water purification and waste treatment*
  Electrochemicals — *Brighteners, strippers, additives for electroplating*
  Fiberfil — *Fiberglass reinforced thermoplastics*
  Lancy Laboratories — *Waste treatment engineering*
  PureChem — *Titanium trichloride*
  Wilson Products — *Color concentrates*

DEVELOPMENT AND ENGINEERING ACTIVITIES
  *Research and development, licensing, facilities construction*

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## **Glass Containers Group** Headquarters — New York City, N.Y.

Thatcher Glass — *Convenience packaging*

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## **Plastics Group** Headquarters — Los Angeles, California

ARCHITECTURAL PRODUCTS

Ralph Wilson Plastics — *"Wilson Art" decorative laminates, laminated art*
Panel Products — *Vinyl-clad wall and furniture board*

STYRO-PRODUCTS

Thompson Industries, Rexcel, Polychemical Industries, Ltd., Canada Cup, Ltd., Insulpak, Ltd., Camira N.V. — *Styrene containers*

PACKAGING

Thatcher Plastic Packaging — *Tubes, closures, seals*
White Metal — *Collapsible metal tubes*
Imco Companies overseas — *Plastic bottles*

PLASTIC SPECIALTIES

Plasti-Line — *National trademark signs*
Epcon — *Custom signs and leasing, sign facings and components*
American Gasket and Rubber — *Aerosol gaskets*
Colorite Plastics — *Garden hose, compounding*
Action Plastics — *Extruded specialties*

SEAMLESS

*Medical and surgical products, recreational products*

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## **Rexall Group** Headquarters — St. Louis, Missouri

Rexall Drug Co.— *Manufacturing and franchising*
Liggett and Drug King — *Company owned drug stores*
Rexall Realty — *Store financing*

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## **Corporate Group** Headquarters — Los Angeles, California

- Dart Direct Marketing — *Direct response marketing*
  - Market Compilation and Research Bureau
  - Lewis Kleid
  - Western Direct Mail Marketing
  - Dart Direct Merchandising
  - Dart Ireland Ltd.
- Bonus Gifts, Inc. — *Continuity gift program (jointly owned with The Glendinning Companies)*
- Corporate staff services

**For Additional Copies Write:**

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Dart Industries Inc.
P.O. Box 3157, Terminal Annex
Los Angeles, California 90051

*Note: Product names on all pages printed in italics indicate trademarks.*

Dart Industries Inc. Annual Report for 1971